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Courageous or foolhardy?
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Special 12-page section

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY SEPTEMBER 23 1994

D8523A

Semtex explosive found at IRA breakout prison

British police discovered three detonators and half a kilogram of Semtex explosive at a prison in England at which five IRA terrorists staged an armed breakout earlier this month. The discovery on the eve of the first Anglo-Irish intergovernmental conference since last month's IRA ceasefire looked set to put both UK home secretary Michael Howard and the Northern Ireland peace process under new pressure. Mr Howard described the find as a "very very grave" matter indeed. Washington procession, Page 9

Cédras says he will not leave Haiti: General Raoul Cédras, Haiti's military leader, repeated that he would not leave the country after he steps down from power next month. He told CBS TV late on Wednesday night that the Haitian constitution "forbids exile". Page 4

Volkswagen's finance director, Werner Schmidt, is expected to be ousted shortly as a consequence of last year's near collapse of the group's Spanish subsidiary, Seat. Page 17

UK vetoes EU plan for paternity leave



The UK vetoed European Union attempts to extend statutory parental leave to fathers, and formalised its divorce from its 11 partners on EU social policy. UK employment secretary Michael Portillo, (above) said plans to give new fathers the right to three months' unpaid leave would be "immensely disruptive and destructive". Page 16; EU launches IT debate, Page 2; Editorial Comment, Page 15

Wheat stocks fall: World stocks of wheat are set to drop to their lowest level in 14 years after a fall in international output and a rise in consumption, the International Wheat Council said. Prices have risen about 30 per cent since early July. Page 32

Guinness, spirits and brewing group, disappointed the City of London with its interim results - then surprised it by choosing Euan Johnson, head of a Scottish building company, to lead United Distillers. Page 17; Lex, Page 16

S Africa rated BB: South Africa was rated BB by European credit rating agency, Ibea, in its first formal assessment since April's elections, placing it alongside countries such as Mexico, Hungary and Argentina. Page 16; Thatcher row, Page 9

Chinese encouraged to buy cars: China will soon begin providing incentives to individual car buyers to help boost its fledgling automotive sector as part of a policy aimed at encouraging widespread car ownership. Page 6

UK to seek procurement clampdown: The IIR plans to urge the European Commission to step up its monitoring of the £500bn a year European public procurement market in an attempt to reduce alleged malpractices by member states. Page 9

French minister accused of corruption: France's sports and youth minister, Michèle Alliot-Marie, was reported to be under investigation for receiving payment from pharmaceutical companies while a member of the health ministry's drug approval committee in the 1980s. Page 2

Gatt chief warns on pact: Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said ratification of the Uruguay Round trade accord was "moving in the right direction" but warned that stated intentions had yet to be reflected in results. Page 5

Danish coalition talks begin: Poul Nyrup Rasmussen, Denmark's Social Democratic party leader, prepared to form his second administration, despite the beating his centre-left coalition suffered in Wednesday's general election. Page 3

Israel to attend Morocco talks: Israel, Jordan, Tunisia, Egypt, Saudi Arabia and the Palestinian self-rule areas had accepted invitations to an unprecedented Middle East economic conference in Casablanca in October, said Israel's foreign minister Shimon Peres. Page 6

Pope delays US visit: Pope John Paul II, beset by health problems for the past two years, postponed a visit to the US until late 1995 so he can fully recover from surgery for a broken leg.

STOCK MARKET INDICES			
FT-SE 100	3,821.2	(+6.4)	
FT-SE 250	1,334.32	(+0.1%)	
FT-SE 100	1,517.35	(+0.1%)	
FT-SE 250	1,833.67	(+1.71)	
New York	2,855.3	(+3.7)	
Dow Jones Ind. Ave.	4,229.7	(+1.51)	
S&P Composite	429.7	(+1.51)	
US DOLLAR RATES			
Federal Funds	4.75%		
3-mo Treas. Bils. Yld.	4.918%		
Long Term	7.78%		
Yield	7.78%		
LONDON MONEY			
3-mo Libor	6.75%		
Libor 6m	6.75%		
Libor 12m	6.75%		
NORTH SEA OIL (Argus)			
Short 15-day (Nov)	\$16.28	(+1.18)	
Gold			
New York Comex (Oct)	\$399.0	(+0.7)	
London	\$399.0	(+0.7)	
STERLING			
New York Exchange	\$ 1.57575		
London	\$ 1.5762	(+0.0005)	
DM	2.4411	(+0.0001)	
FF	1.5498	(+0.0001)	
Sfr	2.2278	(+0.0001)	
Y	154.581	(+0.001)	
E Index	79.8	(+0.001)	
DOLLAR			
New York Exchange	\$ 1.57575		
London	\$ 1.5762	(+0.0005)	
DM	2.4411	(+0.0001)	
FF	1.5498	(+0.0001)	
Sfr	2.2278	(+0.0001)	
Y	154.581	(+0.001)	
E Index	79.8	(+0.001)	
Tokyo close			
Y 97.94			

Unilever concedes detergent can damage clothes

By Roderick Oram in Beijing

UNILEVER yesterday admitted that its revolutionary detergent launched this spring under the names Persil Power and Omo Power was "defective". The detergent has been at the centre of an acrimonious row between Unilever and Procter & Gamble, its US arch rival in the \$8bn a year European detergent market, following claims that it damaged some types of clothing in repeated high temperature washing. Its formula was revised and a new version launched in June.

"We made a mistake. We launched a product which had a defect which we had not detected," Mr Morris Tabakshat, co-chairman of the Anglo-Dutch consumer products group, said yesterday. The relaunched product had remedied the problem. The original launch had followed two years of consumer tests. In the first explanation by a senior executive of the problems, he said: "I think we were very enthusiastic about an exciting new product... and did not look closely enough at the negatives." "Somewhere between research and

marketing, something went wrong... under the normal pressure to be first to the market." The detergent, sold under the Persil name in Britain but as Omo on the Continent, contains manganese catalyst "accelerator". This was found to react badly to certain dyes in extreme conditions. The reformulated version uses less of the accelerator. Speaking in Beijing on the eve of the opening of Unilever's Walls ice-cream plant in the city and the announcement of the company's eighth joint venture, its second detergent business in China,

Mr Tabakshat said one key issue appeared to be a lack of "appropriate safeguards" in tests before the launch. At high temperature and with repeated use, the manganese catalyst reacted badly with certain new textile dyes, which "were not in our test battery." He expressed, however, full confidence in Unilever's researchers, who bring an average of about one new product a day to markets around the world. The new formulation should prevent a recurrence of the problem, Mr Tabakshat said. Any adverse effect on clothes would happen more slowly and well out-

side garments' normal life-span. All detergents caused some minor damage to clothes after repeated washings. The Dutch consumers' association said last week its own tests on the new formula still caused unacceptable damage to clothes and was no more effective at washing clothes than other cheaper detergents. Mr David Veitch, Procter & Gamble's European vice-president of public affairs, said the consumer association's tests showed there continued to be a problem even with the reformulated product.

World Bank plans \$165m operating budget cut

By George Graham in Washington

The World Bank plans to slash its operating budget by about \$165m over the next two years to respond to calls for a leaner organisation.

Mr Lewis Preston, the bank's president, has asked vice-presidents with responsibility for operational areas to cut their administrative budgets by 5 per cent in the fiscal year starting next July 1, and by as much again the following year. Support divisions have been asked for an even sharper 6.5 per cent cut in administrative expenses.

The proposal is already fueling a row between some industrialised countries - especially the US, Canada, Australia and the UK - which have long argued that there is plenty of fat to trim from the bank's comfortable operating budgets and well-paid salary structure, and borrower countries who fear cuts could jeopardise the quality of services.

The World Bank's administrative budget has climbed by 32 per cent over the past three years to about \$1.4bn for the fiscal year which began in July. Mr Pres-

ton's proposed cuts would roll spending back to just above the fiscal 1993 level.

World Bank officials said the proposal was Mr Preston's own, and had not been sought by the board of executive directors who represent the shareholding countries.

"I don't believe the president would propose this if he believed it would cut the bank's services to poverty reduction and development. I think he just thinks he can do the job better with a leaner institution," one official said.

Each vice-president receives a cash budget, and could choose to meet the target by measures such as cutting the number of staff, curbing travel costs or putting off equipment purchases. "The majority of the board feels we really have to be very careful about this because the Bank does a lot," said Mrs Eveline Herfkens, a World Bank executive director from the Netherlands, who represents a constituency of borrowing countries from eastern Europe and the former Soviet Union.

"If we want to continue to do

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British and US air strike signals a firmer stance in former Yugoslavia

Nato jets retaliate for attack by Bosnian Serbs

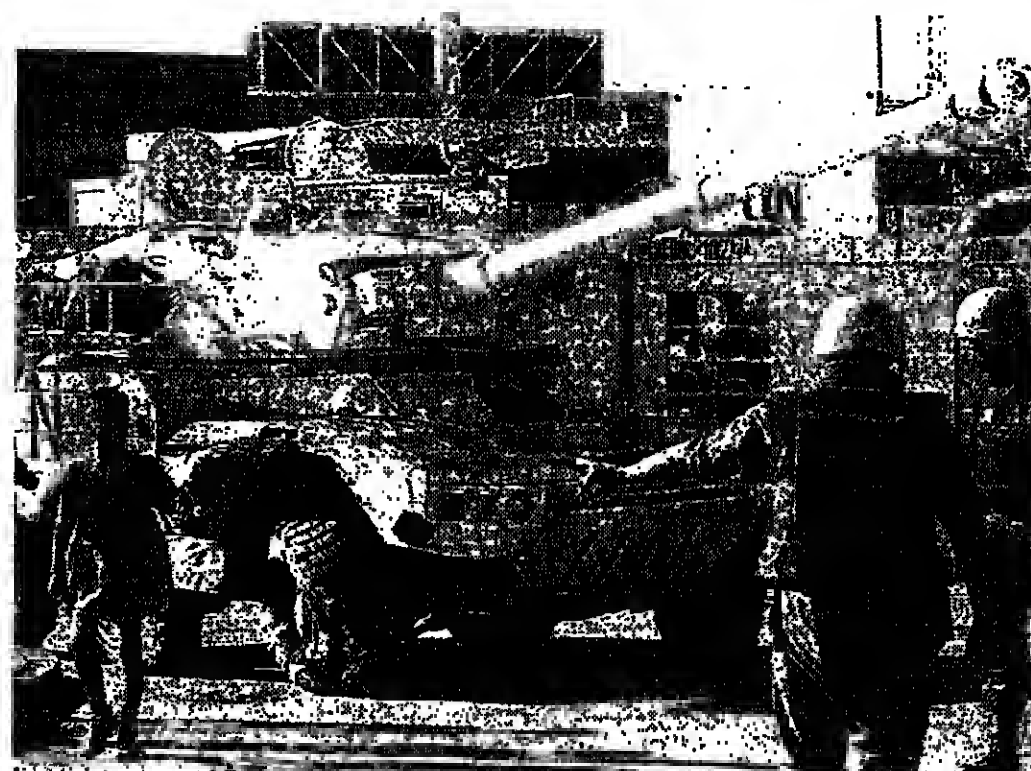
By Bruce Clark in Brussels and Bernard Gray in London

Nato aircraft yesterday attacked Serb positions near Sarajevo, knocking out at least one tank, in apparent retaliation for two incidents earlier in the day in which French soldiers serving with the United Nations came under fire.

In the more serious attack on UN troops, a French armoured personnel carrier was hit by a rocket-propelled grenade as it monitored a fire-fight between Bosnian Serb and Muslim-led Bosnian army forces. One soldier was injured in the attack. Major Hervé Gourmelon, a UN spokesman in Sarajevo, confirmed that an air strike had taken place, but refused to provide details of the target or to confirm whether the attack had been successful.

The strike, in which British and US aircraft took part, is the latest sign that the allies are taking a firmer stance towards the former Yugoslavia. The Atlantic alliance, urged on by United States, has been pressing hard in recent days for a more vigorous effort to counter the Bosnian Serbs, who have rejected an international plan to end the conflict and been isolated by their kinsmen in Serbia.

The US administration has



A damaged French United Nations light tank returns to base after being hit by a rocket-propelled grenade fired from Bosnian Serb army positions. A French UN soldier was wounded in the attack.

promised the powerful pro-Bosnian lobby in Congress that it will start moves to lift the UN arms embargo against Bosnia unless the Serbs accept the peace plan by October 15. European governments have warned the UN government that this move could lead to a disastrous escalation of fighting in Bosnia and sour transatlantic relations. The White House, which disclosed news of yesterday's air raid, has been pressing for tougher enforcement of existing policies in Bosnia in the apparent hope of assuaging pressure for a unilateral US decision to supply arms to the Bosnian gov-

ernment. General Bertrand de Lapresle, commander of UN forces in former Yugoslavia, described the air strike as a "proportionate, adequate" reaction to the attacks on UN forces in Sarajevo. The air strike is the first since August 5 and comes at a time of increasing tension in Bosnia. General Sir Michael Rose, the UN commander in Bosnia, this week demanded the removal of six confirmed and 12 suspected Serb artillery pieces from the 20km exclusion zone around Sarajevo. This followed artillery fire on Sunday which killed two people and injured 18 in the

worst fighting near the city since the zone was established in February.

Senior Nato officials have also been in touch with the UN to press for a stricter interpretation of the rules under which heavy weapons in Sarajevo and the enclave of Gorazde - and any forces which attack the UN anywhere in Bosnia - are subject to air strikes.

UN commanders have insisted that they are better judges than Nato of when air strikes are appropriate. However, yesterday's air action seemed to have the full support of both international organisations.

French state bank holds back results

By Andrew Jack in Paris

Crédit Lyonnais, the troubled French state-controlled banking group, surprised the markets by postponing publication of its results for the first half of 1994 yesterday. The move aroused fears about additional provisions still required to cover its heavy losses.

The bank said the results were unlikely to be released for several days because of a board decision pending completion of "certain analyses" in progress. Sources close to the bank said the delay was caused by a failure to complete discussions with the government about the way in which extra financial support should be provided.

News of the postponement helped to prompt a sharp fall in price of the group's non-voting shares and reinforced speculation about substantial additional provisions that may be required as part of its restructuring. Crédit Lyonnais lost FF6.5bn (\$1.3bn) last year, one of the biggest losses in French corporate history.

In July, the bank was the subject of a highly critical report from the government. The bank admitted that the

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Japanese coalition agrees tax package

By William Dawkins in Tokyo

Japan's ruling coalition of conservatives and socialists last night agreed a package of income tax cuts worth ¥16,500bn (\$168bn) over the next three years, to be followed by a rise in sales tax, bolstering the fragile economic recovery and giving the government added stability.

The unpopular sales tax - similar to Europe's value added tax - will rise in April 1997 from 3 per cent to 5 per cent. It is needed to compensate for an expected decline in the income tax base caused by the tax cuts and an ageing population. Agreement between the three parties in the coalition paves the way for the end of a divisive year-long argument over fiscal reform. It marks new stability in the coalition, which had looked shakier than its short-lived predecessors on taking office at the end of June.

Until a few days ago, the Social Democratic party of Mr Tomichi Murayama, the prime minister, opposed an increase in sales tax. But Mr Murayama changed his mind in return for a promise from the Liberal Democratic party - his enemies until the SDP joined forces with them three months ago - to spend the extra revenue on welfare. Washington has been pressing for tax cuts to stimulate domestic

demand in the hope of reducing the trade surplus, but wanted Japan to defer the rise in sales tax for as long as possible. Accordingly, the deal drew a cautious welcome from the US. Mr Walter Mondale, US ambassador to Japan, said the package was positive but not perfect.

The income tax cut consists of a ¥3,500bn per year permanent reduction, plus ¥2,000bn annually of temporary cuts, to last until March 1997. The government will decide six months before then whether the temporary cuts should continue, bearing in mind the scope of economic recovery. At the same time, it will review whether to change the size of the increase in sales tax. That will depend on the amount of savings in administrative spending achieved by then, in response to a demand by the New Harbinger party, the coalition's smallest member, which is led by Mr Masayoshi Takemura, finance minister.

The government will submit the tax reform package to the next session of parliament, starting at the end of this month, and hopes to pass it into law by the end of the year, in line with a promise to Japan's Group of

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Talks open today on how the single market will cope with the surge in information technology

EU launches debate on new rules for IT

By Emma Tucker in Brussels

A crucial debate on the future of the European single market opens in Germany today as ministers launch talks on how to handle the expected explosion in information technology. The outcome will shape the development of information services such as interactive television, computer-learning and electronic banking across the European Union, areas still seen as the missing link in the single market.

The argument today revolves around whether existing rules on the free movement of goods and services and mutual recog-

nition of other countries' rules can provide the right framework for investment in information technology or whether there is a need for supra-national regulation.

Mr Rainero Vanni d'Archiraffi, the European Commissioner responsible for the single market, is expected to argue that present legislation is adequate in most areas and that there is no need for a centralised European regulatory authority.

Four areas - the protection of intellectual property rights, data protection, encryption and media concentration - have been pinpointed as need-

ing special attention and legislation is being prepared. However, this week the European Commission backed away from proposals to harmonise laws on media ownership, worried that European-wide action could trigger a backlash among member states.

The debate on the future of the service sector has also revealed an ideological fault-line inside the commission.

Officials responsible for the single market believe that too much regulation risks fragmenting the market and creating an inflexible environment for investment.

However, an action plan stemming from a report by Mr Martin Bangemann, the industry commissioner, on the information society, talks of the need to establish an authority at a European level.

"Whilst fully respecting the subsidiarity principle, the commission will launch in-depth studies to examine institutional aspects and to see which activities at present exercised by the member states and the commission might be entrusted to such an authority," says the report.

Those responsible for industry and telecommunications in the commission are said to be

uneasy about seeing the information society develop in a relatively unregulated fashion. However, they deny there is any difference within the commission about how best to proceed, arguing that the way ahead is laid out clearly in Mr Bangemann's action plan, and that the most pressing need is to present industry with a consistent approach.

Another argument is over how much emphasis should be put on protecting consumers of the new services offered by the information superhighway against the providers.

"We want to achieve an internal market in information services," said an official from the directorate responsible for the single market. "To do that, you need to have a balanced approach that takes into account all groups involved - industry, users, rights holders and consumers - and not just industry."

The debate comes as officials and ministers, generally satisfied that goods are moving freely around the community, have realised the need to focus on the potential economic benefits from the free movement of services, particularly information services, across the borders of the 12 member states.

German optimism prompts concern

By Quentin Peel in Bonn

The growing mood of optimism about Germany's economic recovery, fuelled by senior ministers campaigning for re-election next month, is causing great concern in the country's business community.

Industry fears that, in contrast to the gloomy British, Germans are falling for the "feelgood factor" too fast. And that could mean that they ease up too soon on the process of drastic cost-cutting and restructuring needed to make German industry competitive once again.

On the one hand, leaders of the main business lobbies are delighted at the turnaround in economic fortunes, which has raised the latest growth forecasts of the economics ministry to 2.5 per cent for this year, and 3 per cent in 1995.

On the other, they fear the recovery will revive wage demands from trade unions forced to accept real income losses over the past two years, and ease the pressure on the government to cut spending and curb its borrowing requirements, and on industry to reduce plant-level costs.

"It is still not 12 months since Germany was gripped in a mood of deep foreboding about the future," the German Industry Federation (BDI) said this week. The severe recession had exposed more than ever the symptoms of competitive weakness in the German economy, and unleashed a national debate on how to revive the country's competitive advantage.

Yet this autumn, the mood has already been transformed to one of optimism, with all the economic statistics confirming the recovery process, including increased industrial orders, a recovery of manufacturing production, and a strong growth in exports, the traditional motor of the German economy.

"The optimism is certainly exaggerated, if it means that sections of industry which were classified only a few months ago as the sickest part of the economy are today being seen as the standard-bearers of a new upswing," the BDI thundered. "The structural crisis of German industry is not and was not simply a figment of the imagination, but a very real challenge."

The message from the BDI, reflecting similar fears at the German employers' federation (BDA), is clearly to cool it, election or not. But the other big national lobby for the business community, the German chambers of commerce and industry (DIHT), is altogether more sanguine.

"I have been accused of talking the economy up," Mr Hans-Peter Stihl, the president of the DIHT, said yesterday. "But the results of our surveys confirmed it."

CSU leaves Strauss scandals behind it and reasserts its Bavarian dominance

Michael Lindemann previews state elections that promise little cheer for the SPD

The Social Democrats in Bavaria, condemned for decades to thankless opposition in Germany's most conservative state, call it the "black country".

They mean Wolfratshausen, a prosperous little town nestling on the river Loisach just south of Munich, and an area which boasts the second highest per capita income in the country.

It is also the home town of Mr Edmund Stoiber, the Bavarian state premier, and an undisputed stronghold of his ruling Christian Social Union, the sister party of Chancellor Helmut Kohl's Christian Democratic Union.

Four years ago 55 per cent of the constituency backed the conservative and Roman Catholic CSU, the party which has ruled the state since the independent Free State of Bavaria with an absolute majority since 1962.

Last week Mrs Renate Schmidt, the Bavarian SPD leader, took the battle to the heart of enemy territory, for a full-scale rally, complete with beer and brass band, in the Wolfratshausen town hall.

She is the liveliest candidate the party has fielded in the state for years. Yet Mrs Schmidt looks unlikely substantially to improve her party's fortunes. Just as the SPD has slipped behind the CDU in polls for the general election on October 16, so the party in Bavaria has seen its hopes of unseating the mighty CSU fading.

Earlier this year there seemed to be some chance that the SPD might dislodge a CSU reeling from a series of corruption scandals. Mr Stoiber's predecessor, Mr Max Streibl, was forced to resign after accepting holidays from a wealthy business friend.

Since then, the reign of the late Mr Franz Josef Strauss, father figure of the CSU and the strongest man of Bavarian politics since the war, has been tarnished with further accusations of shady deals. For example Mr Eduard Zwirk, a multi-millionaire spa resort operator, who fled to Switzerland to escape prosecution for income tax evasion, claimed that he had been promised protection by Mr Strauss.

But the SPD's attempts to tar Mr



Beer and bravado in Bavaria: the SPD's candidate Renate Schmidt

Stoiber with the brush of scandal have singularly failed. In the European parliament elections in June the opposition managed only 23.7 per cent of the vote, its worst-ever European result in the state.

"That (tactic) doesn't work any more," says Mr Julian Gyger, an SPD spokesman. Instead, Mrs Schmidt focuses on the need for more jobs and less nuclear energy.

Mr Stoiber became state premier last May and admits he took over a party which was "insecure". Once Mr Strauss's closest personal adviser, and then a tough interior minister, he immediately demonstrated his political touch, axing an array of official privileges, such as free seats at the opera.

The Bavarian premier is also an unashamed conservative who has taken a hard line against asylum seekers,

stealing fire from the right-wing Republicans, once seen as a serious threat. The party, which was founded in Bavaria where it still has its strongest support, is, according to the polls, hovering around the 5 per cent mark needed to secure seats in the *Landtag*, or state parliament.

Observers are wary of predictions because many Republicans do not admit their voting intentions in polls. The party is, however, under considerable pressure, given that it failed to make the 5 per cent four years ago. In addition, Mr Franz Schönhuber, the charismatic 75-year-old party leader, has said he will step down after the elections.

The CSU could secure an absolute majority with 46 per cent of the vote if, as many observers expect, several smaller parties do not make it into parliament.

Not all of Bavaria votes like Wolfratshausen. But even if Mrs Schmidt picks up votes where she comes from in Lower Bavaria and Franconia, in towns such as Hof and Schweinfurt - where the textile and ball-bearing industry is on its knees because of the recession and competition from the neighbouring Czech Republic - she would need at least another two parties to ensure a parliamentary majority.

The SPD's chances are further diminished because historically the party has been much weaker in Bavaria and there are parts of the state where it does not even exist.

Mr Stoiber meanwhile says the Bavarians have stood rock-solid behind the CSU for three decades because they have their own way of doing things, different from the rest of Germany. "We don't always follow the fashion here," he says.

As for suggestions that leading CSU politicians have been lining their pockets in recent years - they impress very few Bavarians.

"Everyone is always talking about connections that leading CSU politicians have," a customs officer said at a Stoiber rally. "Well what's wrong with connections - at least you get things done."

French battle to win third telecom licence

by John Riddling in Paris

The French industry ministry is finalising its recommendations concerning a fiercely contested battle for the country's third mobile telecommunications equipment licence and is awaiting a decision from Mr Edouard Balladur, the prime minister.

Officials said that a decision could come this weekend. But they indicated that the sensitivity of the licence award, which pits three of France's largest industrial groups in competition, may prompt a delay.

Alcatel Alsthom, the telecoms and engineering group, Lyonnaise des Eaux, the utilities and communications group, and Bouygues, the construction and communications

company, are all bidding for the right to operate the third digital network. They are seeking either to diversify into a new business sector or, in the case of Alcatel, to extend telecommunications equipment activities into the provision of mobile services.

Bouygues, considered by many industry observers to have edged ahead in the contest, estimates that an investment of between FF3.3bn (£360m) and FF4.1bn (£450m) is necessary to establish the new network. The winner of the licence will compete with existing networks operated by subsidiaries of France Telecom, the state telecoms group, and Générale des Eaux, the utilities and communications company. The cost of the investment

will be shared by partners in the various consortia. Alcatel Alsthom has linked up with Stet of Italy in preparing its offer. Bouygues' partners include Cable & Wireless of the UK and US West, while Lyonnaise des Eaux counts Thyssen of Germany and Bell South of the US amongst its consortium.

The sensitivity of the award stems from the influence of the companies involved and the method employed to decide the winner. Bouygues operates TF1, France's television channel, while Mr Jérôme Monod, chairman of Lyonnaise des Eaux, is a former senior official in Mr Balladur's Gaullist RPR party. With the unofficial contest for next year's presidential elections gathering intensity,

Mr Balladur is anxious to avoid controversy over the award or to alienate the contenders.

Rather than selecting the winner through an auction process, as in recent US telecoms licence awards, the French government is to decide on technical proposals and investment plans. "The project which is the most viable on these criteria will be the one selected," said one official.

Despite the sensitivity of the award, the industry ministry is seeking a rapid decision to prevent the French mobile telephone sector lagging further behind its neighbours. According to Idate, the communications research institute, France had only 725,000 mobile telephone subscribers at the end of

August, compared with more than 2.2m in Germany and about 2.7m in the UK.

Part of the explanation lies in the lack of competition. "The two incumbents have tended to behave like a cosy duopoly, keeping prices high and limiting demand," says one industry analyst. He adds, however, that competition has intensified since 1992 with the introduction of rival GSM digital networks by France Telecom and SFR, the mobile telecoms subsidiary of Lyonnaise des Eaux.

The new licence will be to operate the digital system, DCS 1800. "It is a cheaper system to develop than the traditional GSM network, because the infrastructure is lighter," says Mr Didier Pouillot at Idate.

EUROPEAN NEWS DIGEST

Showdown fear in pension row

Italy's right-wing coalition government was last night trying to head off a damaging showdown with the powerful trade union movement over pension reforms linked to the 1995 budget. An agreement on changes in Italy's costly state-run and deficit-ridden pensions system is central to the preparation of the budget, which must be submitted to parliament by September 30.

The lira yesterday weakened as dealers awaited nervously for the outcome of the government-union negotiations. The currency was traded at L1.011 against the D-Mark, L3 down on the previous day, while share prices on the Milan bourse fell by nearly 2 per cent. The first session of talks between the two sides yesterday morning broke inconclusively with the CGIL, the largest of the three main trade union confederations, threatening a general strike.

The government is seeking to raise close to L50,000bn (£20.3bn) through fresh revenues and spending cuts to hold the budget deficit to below 9 per cent of GDP. Of this, the government originally sought to find some L8,000bn in pension cuts. Yesterday, ministers were hinting the figure would be closer to L5,000bn - placing greater emphasis on more fiscal revenue. Robert Graham, Rome

Bossi challenge over state TV

The populist Northern League plans a move that could oust the new government appointees brought in to run the RAI, Italy's state broadcasting organisation. The League yesterday unveiled a plan to introduce a legislative amendment that would oblige the two-month-old board to resign and allow the appointment of fresh management by parliament. The League's move was prompted by its anger over the way in which the board of directors, headed by Mrs Letizia Moratti, a former leading stockbroker, changed the entire editorial management of the three television channels over the weekend with any reference to the existing editorial teams.

Other members of the government dismissed the League's protests as pique over having failed to get any of its own editorial nominees appointed at RAI. Although this may be close to the truth, Mr Umberto Bossi, the leader of the League, has consistently expressed concern over prime minister Mr Silvio Berlusconi's ability to control both commercial and public broadcasting. Mr Berlusconi's Fininvest empire includes three channels controlling over 80 per cent of commercial television.

The League has some leverage because next month the government will need to endorse a decree providing ongoing funding for the RAI. The League is attaching its amendment to this decree. The amendment could pass if the opposition decides to make common cause with the League. Staff at the RAI are threatening further industrial action in the wake of Tuesday's 24-hour strike in protest against the new appointments. Robert Graham, Rome

Russian rouble at new low

The rouble tumbled by 5 per cent in Moscow yesterday to a new low of 2,460 to the US dollar, as the Central Bank refrained from intervention and interest rates were pushed up sharply. Finance Ministry officials explained the fall by reference to a call over the weekend by Mr Konstantin Kalagovsky, the International Monetary Fund's executive director for Russia, for stabilisation of the rouble early next year - noting that currencies generally fell on the expectation of a currency stabilisation. At the same time the bank is seeking to build up its reserves of hard currency and has been reluctant to intervene in a major way in the market. The steady fall in the rouble is not greatly worrying the government, in spite of its possible effect on inflation, largely because it believes that a low rate will assist in a stabilisation effort which may be attempted next year. At the same time, its fall effectively reduces the government's commitments to unpaid salaries and to cover the budget deficit. John Lloyd in Moscow

'Hidden jobless' in Ukraine

Ukraine has more hidden jobless than any other country in central and eastern Europe and open unemployment is likely to soar next year as economic reforms gather pace, according to a survey by the International Labour Organisation. Mr Guy Standing, head of the ILO's east European team, said yesterday the true unemployment rate in Ukraine was already in double figures, compared with an official rate of less than 1 per cent. In addition, some 12 per cent of workers are on long-term unpaid leave.

The survey, covering 348 manufacturing enterprises employing over 372,000 workers, contradicts suggestions that Ukrainian factories are clinging on to workers regardless of collapse in output. The survey by the ILO shows widespread job-shedding over the past year, especially in state-owned factories, as well as extensive overtime working and resort to unpaid leave. With enterprises still holding on to more workers than they need, Mr Standing predicts a "massive" increase in unemployment next year as industrial restructuring in the country accelerates. Over a quarter of factory managements in the survey expected their firms to go bankrupt within a year. Frances Williams, Geneva

Hurd rejects EU 'hard core'

Mr Douglas Hurd, UK foreign secretary, has thrown his weight behind calls for a streamlined European Commission and a "flexible" European Union, while rejecting the idea of a "hard core" of the most committed member states. In an interview with Handelsblatt, the German business newspaper, he welcomed a fundamental debate on the future shape of the EU, which is supposed to culminate in a new constitutional conference in 1996, and insisted that Britain wanted more than a "free trade zone" in Europe. "I believe very strongly in a common foreign and security policy," he said, which should be expanded step by step to include the countries of central and eastern Europe. But flexibility meant that "not everyone will do everything at the same time, or in the same way." Quentin Peel, Bonn

ECONOMIC WATCH

Dutch retail sales slip 4%

Dutch retail sales fell 4 per cent in the year to July, the Central Bureau of Statistics reported yesterday. July retail sales in the non-food sector were 8 per cent lower than a year earlier, while sales of outer garments in specialist shops were 14 per cent down. The fall reflects last year's boom, as well as unusually hot weather in this year. While food sales rose a nominal 1.3 per cent in the year to July, after adjusting for price rises sales fell by 1.3 per cent. Total retail sales, adjusted for inflation, were 5.2 per cent down. In contrast to the retail performance, seasonally adjusted industrial output for July was 3.6 per cent up a year earlier. AP and Reuters, Amsterdam

Sweden's current account showed a surplus of SKr2.8bn in July, but a deficit of SKr0.6bn in the 12 months to July, central bank figures showed, outperforming most expectations.

French household spending on manufactured goods rose 1 per cent in July, due to a strong rise in car sales, and rose by 0.4 per cent in August despite a decline in the car sector, national statistics institute Insee said.

Italy's industrial output rose an unadjusted 3.8 per cent in July from a year earlier, following the rise in June of 5.3 per cent.

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France's sports and youth minister, Mrs Michèle Alliot-Marie, was yesterday reported to be under investigation for receiving payment from pharmaceutical companies while a member of the health ministry's drug approval committee in the 1980s.

Le Parisien newspaper cited judicial sources claiming that pharmaceutical companies had paid money to a consultancy called Médiconseil which in turn paid Mrs Alliot-Marie for "fictitious services". The minister responded that she had been paid by Médiconseil for genuine work under a contract declared to the tax authorities, that she had ended this work on becoming a Euro-MP in 1989, and that she knew of no judicial investigation.

Mrs Alliot-Marie is none the

less the third French minister to attract allegations of corruption. The trade and industry minister, Mr Gérard Longuet, is awaiting the justice ministry's decision on whether to pursue allegations it received this week from a judge suggesting that he may have allowed a contractor to subsidise the building of his Riviera villa, and that he used money from other corporate sources to settle his construction bill.

Mr Longuet said yesterday that he had no intention of resigning his powerful government post, even if he was put under formal judicial investigation, as is now the fate of Mr Alain Carignon. The latter asked in July to be "suspended" from his job of communications minister in order to contest a case in Grenoble of which he is mayor. A judge is seeking to establish

whether there is any link between a decision by Lyonnaise des Eaux, the French utility company, to bail out a pro-Carignon newspaper and the company's subsequent winning of the contract to manage Grenoble's water supply.

Mr Longuet said he had asked for a formal "judicial estimate" on the cost of his St Tropez villa. He said the affair had not put into question any of his roles as president of the Lorraine region, head of the Republican party, or as trade and industry minister, and he had no intention of resigning.

As in the case of Mr Longuet, the allegations surrounding Mrs Alliot-Marie arise out of a separate investigation. A Nanterre judge had been investigating suspicions that a fellow RPR gaullist of Mrs Alliot-Marie had been receiving payments from pharmaceutical

drug companies when he sat on the same drug approval committee. The report on Mr Longuet came from a judge trying to trace a commission paid by a St Gobain subsidiary to a Republican party official in Nantes, in pursuit of a water pipe contract in the western French city.

Yesterday Prime Minister Edouard Balladur, who on taking office last year suggested that he would encourage ministers under a cloud to resign, held his first meeting with the three men he has appointed to look into ethical links between business and politics in France, and current legal practice in corruption investigations. The meeting was described as a first discussion of the precise remit of the commission, on which an eminent businessman, trade unionist and lawyer are to sit.



Longuet: not resigning

Danes begin talks to form a new coalition

By Hugh Carnegie and Hilary Barnes in Copenhagen

Mr Poul Nyrup Rasmussen, Denmark's Social Democratic party leader, prepared to form his second administration yesterday, despite the beating which his four-party centre-left coalition suffered in Wednesday's general election to the Folketing (parliament).

He handed his resignation to Queen Margrethe yesterday, but immediately began negotiations for the formation of a new government, saying he was confident that he could put together a new minority coalition.

He is expected to try form a government with the Centre Democrats and the Radical Liberals, both members of his previous government, but his task was made more difficult by the elimination from the Folketing of the fourth member of the outgoing govern-

ment, the Christian People's party. The proposed new coalition would only have 75 seats in the 179-seat Folketing and would require the parliamentary backing of the left-wing Socialist People's party (SPP) and the Unity List.

The SPP signalled yesterday that it will set tough conditions for its support. One report suggested that the SPP might try to force Mr Nyrup Rasmussen to form a government of the Social Democratic party alone which the SPP would seek to influence towards more left-wing policies. The SPP leader, Mr Holger K Nielsen, declined to comment.

Mr Uffe Ellemann-Jensen, thwarted in his ambition to become the country's prime minister, although his own Liberal party went ahead by 13 seats to 43, predicted that the coming government would be weak and would not survive the full four-year parliamentary term. "It won't be long before there's a new election," he declared on election night.

But as long as the Radical Liberals and the Centre Democrats remain loyal to Mr Nyrup Rasmussen, the Liberal party and its right-wing allies cannot force a change of government.

The first task facing the new government will be to carry the 1995 budget bill. The outgoing government planned to tighten fiscal policy next year in order to reduce the budget deficit, now running at 5.1 per cent of the gross domestic product. Mr Nyrup Rasmussen has said the budget framework presented in the draft budget, published in August, is not negotiable, but the left-wing parties may try to exert pressure for higher government spending on welfare and the environment.

Danish Elections Results*

Population: 5.2 million
Electorate: 4.0 million

Parties Number of seats 1994 1990

THE RULING COALITION
Social Democrats 62 69
Radical Liberals 8 7
Centre Democrats 5 9
Christian People's 0 4
Total 75 89

THE CENTRE-RIGHT
Liberal party 42 29
Conservative party 27 30
Progress party 11 12
Total 80 71

THE LEFT
Soc People's party 13 15
Unity List 6 0
Total 19 15

INDEPENDENTS
Greenland/Faroes 4 4
Independent 1 0
Total 5 4

* Danish comedian Jacob Hougaard was elected as an MP on a campaign ticket of shorter supermarket queues, better weather in Denmark, and a tail wind for cyclists.



Mr Poul Nyrup Rasmussen, Denmark's Social Democratic party leader, is confident he can put together a new coalition

Spain to reap benefits of strict budget

By Tom Burns in Madrid

Mr Pedro Solbes, Spain's economy minister, will today tell his cabinet colleagues that this year's public deficit is on target at 6.7 per cent of GDP. This is not what the Madrid government, accustomed to budget overruns, normally hears from its economic team, and it augurs well for market perceptions of Mr Solbes' priorities as he puts the finishing touches to his second budget.

Promoted from the agriculture ministry after last year's general election, Mr Solbes inherited a 7.3 per cent deficit, an overshoot double that planned by his predecessor, Mr Carlos Solchaga. Already he can claim two achievements: he has restored the credibility of domestic finances and, in a low growth year, he has succeeded in reducing the deficit.

Determined that this year's hard-won credibility will remain in place, Mr Solbes intends to reduce the deficit to 5.9 per cent of GDP in his 1995 budget and to 3.4 per cent in 1996. But analysts say he has taken only a first step towards righting the structural imbalances which lie at the root of domestic deficits.

Mindful of such pressures, Mr Solbes has responded quickly to an August price rebound and to an accompanying promise by the prime minister, Mr Felipe González, that Spain's 7m pensioners will be fully compensated for a year-end inflation that will now be above the forecast figure of 3.5 per cent.

In a last-minute revision of his budget, Mr Solbes has cut the government's 1995 spending by 1 per cent. The government will use the savings to fund a pensions bill that is expected to rise by Pta150bn (£742m) because of the inflation increase.

The minority Catalan nationalist coalition, CIU, which was last night meeting Mr Solbes' team, is expected to ensure the budget's safe passage through

parliament. Politically centre right, CIU backed Mr Solbes' first budget last year after the general election left the ruling Socialist party short of a parliamentary majority.

As before, Catalan support has been obtained at a price. The government has agreed to regional demands, spearheaded by the Catalans, that they share in the distribution of the EU's cohesion funds. It has also promised to increase funding for regional health services. Reflecting the interests of CIU's middle class electorate, the 1995 budget will reduce the social security contributions made by employers and make up for the lost revenue with a 1 per cent increase in value added tax.

With a forecast growth in GDP of 2.8 per cent next year - the economy grew by 1.5 per cent in the first half of this year - the chief market criticism is that Mr Solbes should use such expansion to cut back the structural deficit more severely. "A 5.9 per cent deficit next year is way too high and nothing to be proud about," said Mr Jaime de Pinies, a senior economist at the Banco Santander group.

Mr Solbes' department argues that several initiatives next year will meet such criticisms. These include the liberalisation of telecommunications, an overhaul of restrictive legislation on land use and reform of a state pension scheme.

The problem is that such regulatory changes, together with deficit control, could run foul of the left wing of the ruling party which favours a dash for growth led by the public sector. Mr Solbes, however, needs to give quick signals on liberalisation.

His budgets are necessarily market sensitive because the stock of government debt, as a result of the ballooning deficits he inherited, is forecast to rise from 55.8 per cent of GDP last year to more than 65 per cent in 1996.

Welfare dilemma for Nordic social democrats

Can the Scandinavian countries sustain high state benefits and reinvigorate the private sector?

By Hugh Carnegie and Hilary Barnes

Scandinavia, the heart of western European welfare politics, is set once again for a period of social democratic domination following elections this week in Sweden and Denmark.

The return to power in Sweden of Mr Ingvar Carlsson's Social Democratic Party ended three years in which the welfare state, built up during the party's years in power since the war, was under challenge by conservative prime minister Mr Carl Bildt.

In Denmark, Wednesday's election confirmed the Social Democrats of prime minister Mr Poul Nyrup Rasmussen as the country's biggest single party and the leading force in the new government. Although he lost ground to the right-wing Liberal party, Mr Nyrup Rasmussen will be able to stay in power with the support of centre and left-wing parties.

The Swedish and Danish elections followed the victory last September of Mrs Gro Harlem Brundtland's Labour party in Norway which, like its sister social democratic parties to the east and south, has a profound commitment to egalitarianism achieved through the universal provision of welfare.

To complete the picture, opinion polls in Finland suggest that the Social Democratic party there, led by Mr Paavo Lipponen, will unseat the present centre-right coalition of prime minister Mr Esko Aho in the general election next March.

But this swing to the left is hardly a vote for state socialism.

In all four countries, private industry has been unchallenged for most of the past 40 years as the engine of economic growth.

What the social democratic trend does seem to reflect is a deep-seated determination to maintain the welfare state

even at the cost of tax rates which would be unsustainable in other western countries.

Over the years, Nordic citizens have grown accustomed to the state provision of "womb to tomb" welfare services covering health, education, social services and generous safety nets such as high unemployment benefits.

In all four countries, for example, not only do mothers have state-subsidised maternity leave rights much greater than those in most European countries, but fathers have the right to paternity leave.

The big question, however, is whether the Nordic countries can sustain their welfare states at current levels.

Norway, with the benefit of North Sea oil and gas revenues, has least cause for concern, at least in the short to medium term.

But in Sweden, even the Social Democrats recognise that there is now a damaging imbalance between the public

and the private sector.

Last year, government spending as a proportion of gross domestic product exceeded 70 per cent, well above the European average of around 50 per cent.

This imbalance, caused in large part by the huge cost of financing 14 per cent unemployment, has left the country with the most serious crisis it has experienced in its public finances.

The budget deficit is expected to be around 11 per cent of GDP this year and government debt will shortly exceed 100 per cent of GDP.

Mr Carlsson is now preparing the country for a period of tough fiscal medicine in which he has made no secret of the need for some severe cuts in welfare benefits.

He may well have in mind the Danish example.

Denmark experienced a similar crisis in the early 1990s, but

now has a relatively strong economy after a decade of budget stringency.

The public finances were brought under control and, despite a long recession, the budget deficit is now around 5 per cent of GDP.

Meanwhile, the welfare system continues to flourish. Indeed, Mr Nyrup Rasmussen has this year introduced a popular new welfare programme.

As many as 100,000 Danes will take advantage of a "leave from work" scheme under which parents of young children and people undergoing job-related training can take six months off work while receiving generous compensation.

But the Danish experience may not be as reassuring to Mr Carlsson as it appears at first sight.

Denmark still ranks second to Sweden among industrialised countries in the proportion of GDP accounted for by state spending (more than 60

per cent), while unemployment continues to run at 12.5 per cent of the workforce.

But both Mr Nyrup Rasmussen and Mr Carlsson recognise that to tackle unemployment, they must not only keep the public finances in order, but also reverse a 40-year trend in the Nordic area of net job creation coming from the public sector.

They are committed (as are Mrs Brundtland in Norway and Mr Lipponen in Finland) to promoting private sector growth.

But many Nordic economists fear that the high unemployment benefits encouraged by the welfare states have led also to high minimum wages that hamper the private sector job creation needed to underpin the welfare structure.

This is the awkward dilemma which Nordic social democrats must come to grips with as they lead the region towards the end of the century.

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NEWS: THE AMERICAS

US officials make contact with military junta's missing police chief François

Cédras says he will not leave Haiti

By James Harding in Port-au-Prince and Jurek Martin in Washington

General Raoul Cédras, Haiti's military leader, has repeated that he will not leave the country after he steps down from power next month.

He told CBS TV in an interview late on Wednesday night that the Haitian constitution "forbids exile" and that, in any case, the agreement reached with the US delegation headed by former President Jimmy Carter did not require it.

However, US officials in Washington were able to report that contact had been established with the third member of the military junta - Col Michel François, the police chief, who was not a party to the Sunday agreement and whose whereabouts had been unknown.

He was to meet senior US military officers later. The agenda was likely to include the issue of controlling the Haitian police, following violent incidents on Tuesday, and the co-ordination of activities with the 1,000 US military policemen who arrived in Haiti on Wednesday.

Although the US, and UN Resolution 940, which authorised a military operation to restore elected President Jean-Bertrand Aristide, called on

the ruling army elite to resign and go into exile, few expected Gen Cédras would flee unless explicitly required to do so.

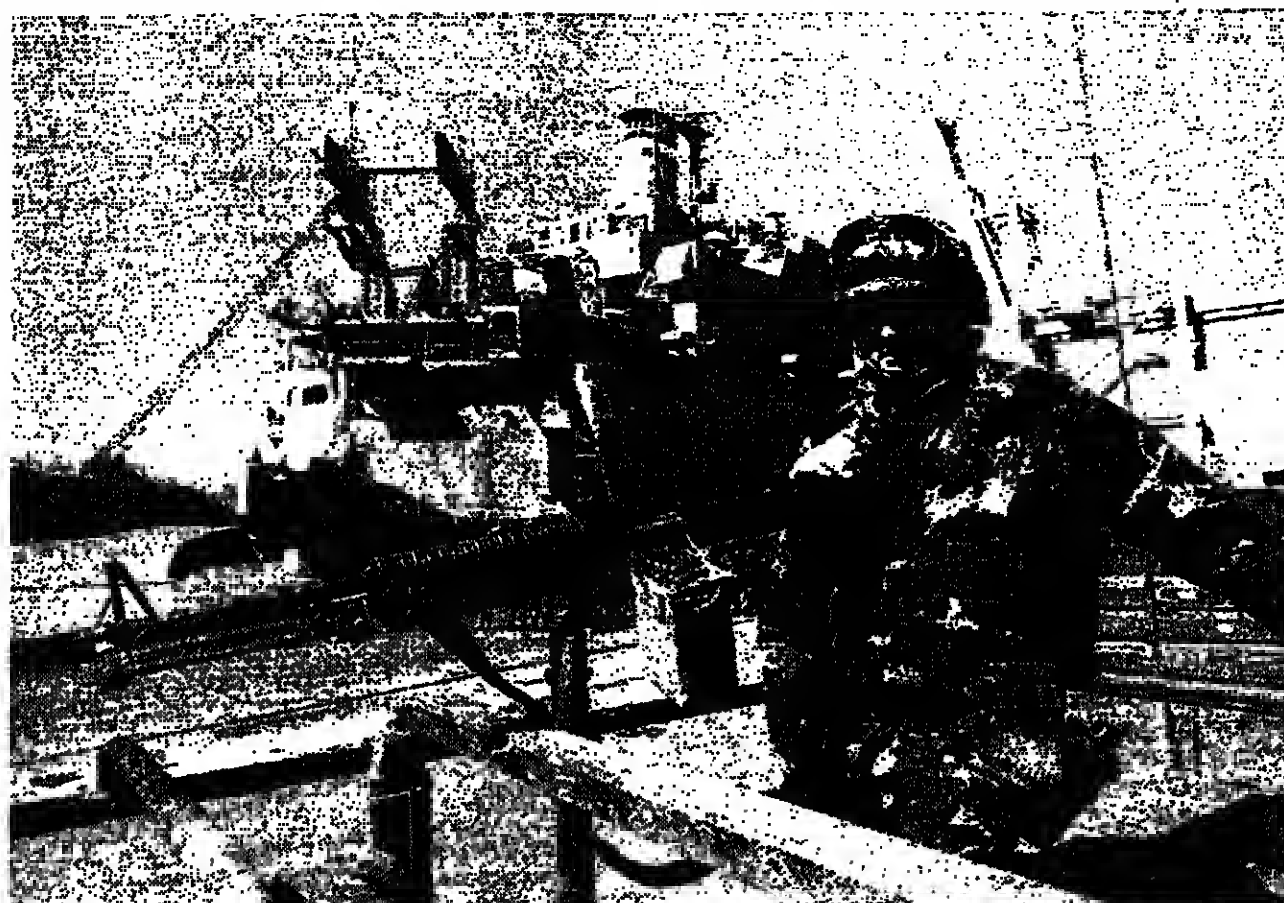
Last Thursday President Bill Clinton had demanded in his TV address that Gen Cédras leave the country or face an invasion. But Mr Clinton has subsequently said that it was sufficient that Gen Cédras and other military officers leave power - though adding that he expected them also to leave the country.

Gen Cédras's decision to stay has bitterly disappointed Aristide supporters who hoped that the army generals and police chief who usurped power in a 1991 coup and had ruled the country ruthlessly since would be eliminated with the arrival of US forces.

But President Aristide himself late on Wednesday finally accepted the logic of the Sunday agreement, having withheld approval for nearly three days.

The prospect of the continued presence of the junta in Haiti also increases the pressure on Haiti's parliament to pass an amnesty law in the next three weeks as required by the agreement. Such legislation would help secure the reconciliation necessary if President Aristide's government is to be stable.

Meanwhile, as more and



A US soldier from the 10th Mountain Division mans a heavy machine gun on a military vehicle as it moves through the Port-au-Prince harbour area.

more US troops arrived and took to the streets of Haiti, military commanders in Port-au-Prince sought to clarify the rules of engagement for personnel on the ground.

After several incidents of political violence in which US troops were ordered not to intervene, Mr Clinton declared that a repeat of Tuesday's violence "cannot and will not be tolerated". Defence Department officials said that the

safety of US servicemen would, however, remain paramount.

As of yesterday morning the exact circumstances of such intervention were still being worked out. Ultimately, the decision was being left in the hands of individual US servicemen.

"People on the street must use his or her best judgment. In the end it is up to that individual soldier or sailor [to decide whether or not to inter-

vene," a US army spokesman in Port-au-Prince said yesterday.

At the US embassy, the mood was generally buoyant and the beginning of the US peace-keeping operation was viewed as a great success. "Haiti today is better off than it was yesterday and better off yesterday than it was the day before," Mr Stanley Schrago, US embassy spokesman, said yesterday.

wouldn't have even gone out of my house... people are not afraid today."

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Clinton not to seek more nuclear arms cuts

By George Graham

President Bill Clinton has decided not to look for deeper cuts in the US's strategic nuclear arsenal until reductions already agreed with Russia have been carried out.

After a year-long review of US nuclear strategy, the administration decided against trying to move beyond the limits on nuclear warheads already agreed with Russia in the Start 2 strategic arms reduction treaty, which would cut the US arsenal from around 6,000 warheads to around 3,500.

Mr Clinton overruled some senior administration officials who had argued that the US should pursue an agreement on still deeper cuts in the Russian and US nuclear forces.

Mr William Perry, the defence secretary, was due to give details of the new nuclear

policy yesterday evening. Earlier this week, however, he warned that Russia had fallen behind schedule in its programme for dismantling nuclear weapons.

Clinton is expected to offer more money to dismantle missiles when he meets Yeltsin

Military officials argued that the US needed to maintain an adequate security hedge against the risk of a reversal in Russia's progress towards democracy and its possible failure to complete its promised cuts.

Mr Clinton is expected to offer more money for dismantling nuclear missiles when he meets President Boris Yeltsin

in Washington next week.

The US has decided, however, to trim its stockpile of short range tactical nuclear weapons, which will leave approximately 480 weapons in Europe.

In addition, the US is expected to cut its fleet of nuclear missile submarines from 18 to 14, and reduce the number of B-52 bombers from 94 to 66, instead of complying with the Start 2 limits by having each submarine or bomber carry fewer warheads.

The US is now concentrating its efforts on talks aimed at extending the nuclear non-proliferation treaty.

The White House yesterday also called on China to join the moratorium on nuclear test explosions declared by the other nuclear powers, and urged an acceleration of negotiations on a comprehensive nuclear test ban.

Doubts cast on Quebec independence referendum

By Bernard Simon in Toronto and Robert Gibbins in Montreal

Quebec separatists have begun to raise doubts about their commitment to hold an early referendum on independence from Canada, barely a week after winning elections in the French-speaking province by an unexpectedly narrow margin.

Mr Lucien Bouchard, leader of the Bloc Québécois, whose 53 MPs promote the separatist cause in the federal House of Commons in Ottawa, said the referendum would not be held until the pro-independence forces were likely to win. "There is no way the separatists will engage in a losing referendum," Mr Bouchard said.

Mr Bouchard's remarks contradict pledges during the election campaign by Mr Jacques

Parizeau, leader of the Parti Québécois, the party which will form the next government in the French-speaking province.

Mr Parizeau said at one time the referendum would be held within 8-10 months of the election. But he gave himself more latitude in the closing stages of the campaign by promising a vote "sometime in 1995".

Although the PQ won 77 of the 125 seats in Quebec's National Assembly, it garnered only fractionally more of the popular vote than the defeated Liberals.

Many voters who supported the PQ in the election do not necessarily favour outright independence.

A poll of Quebec voters in by the Globe and Mail newspaper yesterday showed that 48.8 per cent of respondents would vote against independence in a referendum, compared to only

35.8 per cent in favour of independence.

Political observers have also interpreted the signals put out by Mr Bouchard and Mr Parizeau as evidence of divisions which have long been suspected within the separatist ranks. Mr Bouchard, who is in his early 50s, is widely seen as Mr Parizeau's most likely successor should the PQ leader, aged 64, stumble over the independence issue.

Business leaders both in and outside Quebec have urged the new PQ government to hold the referendum as quickly as possible to lift uncertainty over Canada's political future.

Mr Ghislain Dufour, president of the Patronat, Quebec's main employer group, said: "Our members want the political uncertainty now weighing down on Quebec lifted as soon as possible. The sooner the debate is over the better."

Brazil's bankers lament victory over inflation

The introduction of the Real has meant an end to banks' big overnight profits on short-term lending, writes Angus Foster

Brazil's new currency, the Real, has sent inflation tumbling and public support soaring. But the country's bankers are not yet celebrating. For them, low inflation means lower profits, at least until the banks have been thoroughly restructured.

Banks were the main beneficiaries of Brazil's years of high inflation. They profited from lending to the government at very high short-term interest rates. They gained from holding customers' money in

cheque accounts because funds lost value daily. In June, just before the Real's introduction, daily inflation reached 2 per cent a day for the banks. Many banks earned more than 30 per cent of their income from such inflation-related revenue. When inflation fell with the Real to less than 2 per cent a month, this income disappeared. The first serious signs of strain appeared last week when Banespa, the biggest state-owned bank, faced a liquidity squeeze, and the cen-

tral bank closed down a small private bank, Brastanco.

Most analysts agree that private-sector banks, except for a handful of very small ones, can quickly adjust to low inflation. Larger banks like Brastanco and Itaú have strong balance sheets and should be able to find alternative income sources, especially from an increasing demand for consumer credit if economic growth continues.

The transition will be more painful for the much less efficient 23 banks owned by the Brazilian government or individual Brazilian states. Banespa's costs per employee reached \$25,240 (\$16,600) in the first half of this year, compared to \$8,820 for the similar-sized Itaú. State-owned banks are also limited by law in dismissing workers, which prevents them from cutting costs as rapidly as their private sector counterparts.

Then there is political pressure. State banks are subject to interference by politicians, and have been used to channel jobs and loans to supporters, especially before elections. As a result, small towns often have three or four bank branches owned by the central or state government. The central bank failed in an attempt earlier this year to close down loss-making branches after local politicians complained their campaigns would be undermined.

"Governments have regularly used their state banks to finance elections and other non-banking activities," says Mr Erieto Rodrigues of financial analysts Austin Asis. "The problem is, the banks lend the money without getting paid back."

It is difficult to assess how much damage these policies have caused. Public accounting disclosure is poor and, until the introduction of the Real, high inflation made the comparison of accounting periods misleading. Analysts also suspect state banks conceal non-performing loans to their respective state governments by granting a new loan near the end of the bank's fiscal year so they can be paid interest on the old loan.

Analysts estimate it could cost several billion dollars to restore the state banks' balance sheets. As an indication of the sums involved, last week the central bank provided \$41.65bn (\$2.2bn) in short-term assistance, in the form of swapping central government securities, to the three large state banks thought to be most in need of reform. Banespa of São Paulo received \$21.1bn, Banerj of Rio de Janeiro \$23.4bn, and Banrisul of Rio Grande do Sul state \$21.2bn.

At least over the next three months, the central bank is likely to continue backing banks that face liquidity problems. Brazil holds presidential elections on October 3 and the government is keen to avoid any financial instability, especially if it undermines the Real.

Even in the long term, the central bank is not expected to let larger banks encounter serious problems, which would highlight the entire state-owned sector's weakness. The banks are likely to be urged to cut costs and merge branches. Some smaller state-owned banks may be threatened with

Brazilian banks

	Number of employees	Costs per employee (\$)	Bad loan ratio (%)
State owned			
Banespa	34,432	29,240	11.25
Banerj	12,000	13,775	23.65
Banrisul	17,398	15,376	7.88
Private			
Brastanco	62,500	8,500	2.76
Itaú	38,952	8,928	5.58

Source: Austin Asis, FT

Payment transactions per employee (US\$100%)

	44% (47,200)
Private banks	
Public banks	28% (30,600)

Source: McKinsey analysis

closure or to merge.

"Sorting out the state banks will be a long and very careful process which won't be solved overnight and which cannot be done in an irresponsible way because of the risks," says Mr Carlos Langoni, a former central bank president.

According to private bankers, the hope for long-term reform lies with Brazil's new president, likely to be Mr Fernando Henrique Cardoso. The bankers say the new president must make a number of moves, starting with measures to insulate banks from political interference. For example, a law which prevents private banks from lending to their main shareholders could be applied to state-owned banks to stop them funding their state's deficit.

"We need new regulations to restrict the banks' freedom. If they want to be called a bank they should act like one," says one São Paulo banker.

Other bankers argue that privatisation is the only way to guarantee independence for the state banks, and to

improve their efficiency. But this would first require the states, some of which are already in deficit, to repay their debts.

According to one model, a bank such as Banespa - which is owed about \$7bn by the São Paulo state government - could be repaid with shares in the state-owned electricity and water companies.

Mr Cardoso is thought to favour such schemes. But he will encounter stiff opposition from state governors and the banks themselves, which argue that in a country like Brazil, state banks also serve as development agencies and should not aim to emulate the private sector.

Whether the banks are allowed to remain in the state sector will probably depend on their own performance. The central government cannot afford to lend financial support for long. Unless they quickly move to reduce their losses, the government may start paying more attention to private sector calls for the banks to be merged or privatised.

Fed warnings to banks on easier credit standards

By George Graham in Washington

Top US Federal Reserve officials have issued a warning that banks may be unduly relaxing their credit standards and making risky loans that could turn sour.

Mr Alan Greenspan, chairman of the Federal Reserve Board, yesterday told the Senate banking committee he had received reports from Fed bank examiners that some banks under their supervision were "competing more aggressively for loans, and... are relaxing their credit standards".

And Mr William McDonough, president of the New York Federal Reserve Bank, warned in a recent speech against the temptation for banks to "let the pendulum swing too far" by cutting their rates or easing loan restrictions as they try to rebuild lending operations after a very tight period.

"Pressure on pricing and other credit terms, such as loan covenants, must not be permitted to sow the seeds of a new round of asset quality problems down the road," Mr McDonough told a symposium hosted by the New Jersey state banking department.

Fed officials began to detect some cause for concern a while ago, but their suspicions have been fuelled by a recent survey of senior loan officers.

Nevertheless, Mr Greenspan

insisted: "The condition of the banking system is sound and much improved."

Other Fed officials said they wanted to "look beyond the silver lining" of the current good health of the banking industry. And Mr Eugene Ludwig, Comptroller of the Currency, whose office supervises nationally chartered banks while the Fed oversees state chartered banks, said better bank profitability stemmed largely from improved credit quality.

"Banks have substantially recovered from their credit quality problems from the late 1980s and early 1990s due, among other factors, to the improvement in the economy," Mr Ludwig told the Senate banking committee yesterday.

The Federal Deposit Insurance Corporation's latest quarterly survey, published yesterday, showed that the nearly 11,000 banks in the US made profits totalling \$11.2bn (\$7bn) in the second quarter of this year, level with their performance in the first quarter and nearly 9 per cent higher than in the second quarter of 1993.

Mr Greenspan also renewed his call for Congress to tear down more of the barriers which restrict banks from entering other sectors of the financial services industry, such as insurance and securities, and warned against excessively tight control of activities such as derivatives.

AMERICAN NEWS REVIEW

Mexican city won by opposition

Mexico's centre-right opposition is set to govern the industrial city of Monterrey after an electoral court annulled votes from over 40 of the city's polling stations in last August's election. The reversal of the Institutional Revolutionary party's initial victory in Monterrey follows the opposition's claims that the ruling party's vote in parts of the city had been boosted by ballot-rigging. The capital of the northern state of Nuevo Leon and home to many of the country's best known companies, Monterrey will become the largest city ever in Mexico to be run by the National Action party (PAN) opposition.

Federal electoral tribunals also annulled votes in a few polling stations in other parts of the country, but the move is not expected to affect the result of last August's election, in which the ruling party won a comfortable victory in the presidential and congressional races. The tribunal's move should improve relations between the government and the centre-right opposition, and may increase the chances of a successful outcome to imminent talks between the main political parties on political reform.

The centre-right PAN had made the election in Monterrey a test case of the PRI's commitment to run free elections. Although the decision to annul results in PRI strongholds was formally taken by an electoral tribunal, some suspect that the tribunal had been influenced by the government.

Dorian Fraser, Mexico City

Cardoso's poll lead slips

Mr Fernando Henrique Cardoso, front-runner in Brazil's presidential election, has seen his lead slip slightly in opinion polls, increasing the chances of a second-round run-off with his nearest rival. Under Brazil's election rules, a candidate only wins in the first round if he polls more votes than all his competitors combined. According to a Gallup poll published yesterday in the Estado de São Paulo newspaper, Mr Cardoso's support has slipped 2 points to 41.1 per cent. He is still well ahead of his main rival, the left-winger Mr Luiz Inácio Lula da Silva, who polled 20.6 per cent. Mr Cardoso's fall means his margin of victory over all the candidates has fallen from 6.3 points earlier this month to 3.3 points. This is within the poll's 4-point margin of error, suggesting Mr Cardoso's first-round victory on October 3 is no longer assured. He still remains clear favourite to win in a second round set for mid-November. His fall appears to be a result of combined criticism by the other candidates, which has led to an increase in the number of undecided voters. Angus Foster, Salvador

New White House spokesman

Mr Mike McCurry, chief State Department spokesman, is being moved to the same position in the White House to try to improve relations with the media and to get over President Bill Clinton's policy messages more effectively. The move is one of the personnel shifts being orchestrated by Mr Leon Panetta, the chief of staff. Ms Dee Dee Myers, the present spokeswoman, is being given what is described as "broader responsibilities" but will be replaced as the regular daily briefers by Mr McCurry. Mr Mark Gearan, the overall communications director, is also to be given a new job, as yet unspecified, on Mr Panetta's staff. Press relations have been a thorn in the White House flesh ever since Mr Clinton took office. Initially they were handled by Mr George Stephanopoulos, but only with much friction with the press corps. He was shifted to a far more influential position as counselor to the president in the summer of last year, but even his activities are now to be subject to greater control by Mr Panetta. Ms Myers is personally well liked by the press, but she has never been a member of the inner policy-making team, thus reducing her effectiveness. Mr McCurry, on the other hand, has established a close working relationship with all the senior members of the state department, including Mr Warren Christopher, secretary of state, in the year he has been on the job. His light touch has also made him popular with diplomatic correspondents. Jurek Martin, Washington

Hearings on baseball strike

The current baseball strike reached the halls of Congress yesterday when a House judiciary subcommittee began hearings on whether the sport's team owners should continue to enjoy immunity from the nation's anti-trust laws. Mr Bud Selig, the acting commissioner of baseball, testified in favour of retaining the exemption and Mr Donald Fehr, chief of the players' union, against. Congressman Jack Brooks, the committee chairman, showed his colours by warning in advance that though the owners could hide from the fans they could not avoid Congress on matters of anti-trust. But Congress is unlikely to vote until next year, at the earliest, with much also remains in doubt. At issue is the 1922 Supreme Court ruling, written by the legendary Justice Oliver Wendell Holmes. He wrote then, at a time when the sport was in difficulty, that although baseball was certainly a business it did not engage in "commerce" in the normally accepted understanding of the word. Jurek Martin, Washington

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WHERE BUSINESS IS MOVING

Gatt chief warns on ratification

By Frances Williams in Geneva

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said yesterday that the process of ratifying the Uruguay Round trade accords was "definitely moving in the right direction" but warned that stated intentions had yet to be reflected in concrete results.

Just 26 of the 125 countries taking part in the Uruguay Round have ratified or concluded "domestic processes". Most have been waiting on the "Quad" group of leading trad-

ers, the US, the European Union, Japan and Canada, none of which has yet ratified. The accords, including establishment of Gatt's successor, the World Trade Organisation, are due to take effect on January 1 next year.

Speaking to a meeting of the WTO preparatory committee, Mr Sutherland said the meeting on October 25 would be a "watershed". That is when he hopes to fix the date and agenda for the implementing conference, planned for December, which will formally decide when the WTO is established.

Asked to report on how ratification procedures were going, all four Quad members expressed confidence ratification would be completed by the January 1 deadline.

Mr Booth Gardner, US ambassador to Gatt, said the administration would submit legislation soon and expected a vote before Congress recesses on October 15.

The EU, struggling to surmount a complex legal dispute over respective responsibilities of the executive Commission and member states on trade issues, said it was still commit-

ted to the January deadline. Mr Jean-Pierre Leng, EU Gatt ambassador, expressed confidence the process would be completed in good time. This is despite the fact that no accord has yet been reached on an EU code of trade conduct, which would obviate the wait for a ruling by the European Court.

The Japanese government expects approval of implementing legislation during the special two-month Diet session due to start on September 30. Canada plans to introduce legislation next month.

Also yesterday, Mr Andrés

Szepesti of Hungary, chairman of Gatt's contracting parties, said he would begin consultations early next month on the future head of the WTO. The decision, for which a consensus is needed, must be endorsed at Gatt's annual meeting in December.

Mr Szepesti confirmed that the Brazilian candidate, Mr Rubens Ricupero, was standing down. The three declared contestants are outgoing President Carlos Salinas de Gortari of Mexico, Mr Renato Ruggiero of Italy and Mr Kim Chul-su of South Korea.

Kozyrev adds to doubts over Azerbaijan oil deal

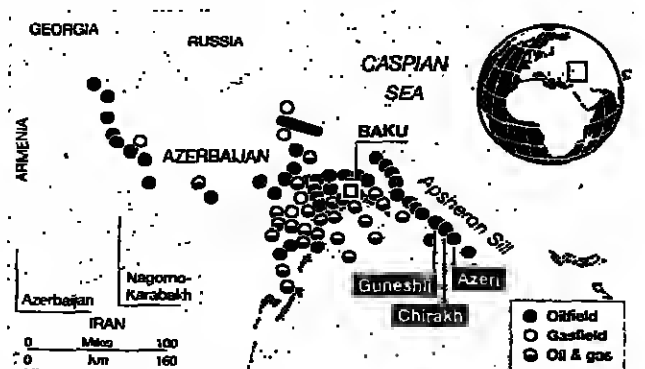
By John Lloyd in Moscow

Mr Andrei Kozyrev, the Russian foreign minister, yesterday added his voice to doubts surrounding the the \$8bn Caspian oil contract signed earlier this week between the government of Azerbaijan and a consortium of foreign oil companies.

Mr Kozyrev said that Russian interests had to be taken into account in any agreement to exploit the reserves in the Caspian sea.

Agreements signed by the Soviet Union limiting exploitation were still in force - "no one has annulled them," he said. "The former Soviet republics are the Soviet Union's legal heirs, while Russia is its main successor. Obligations have to do with all the former Soviet republics. Azerbaijan is well aware of this."

Mr Kozyrev's statements were greeted yesterday with muted anger by other Russian institutions concerned with the contract. These include the energy ministry, which sent a deputy minister to applaud the signing of the deal and Lukoil, the partly state-owned oil company which is a partner in the consortium with 10 per cent of the contract.



An oil ministry spokesman said the ministry had "no special comment" on Mr Kozyrev's statement, adding that various interests were involved including those of the ministries and oil companies - "each of which could have a different position".

For Lukoil, Mr Alexander Vasilenko said that "we signed a statement of intent with the state oil company of Azerbaijan last September. There was an inter-government agreement between Russia and Azerbaijan signed last October, which Mr Yuri Shafmanik (the Russian Energy Minister) signed, permitting an agreement between Lukoil and Azer-

baijan. Lukoil works always within the bounds of the law, and that is how we intend to work now," Mr Vasilenko said.

The issue has an importance beyond that of the Azeri contract, signed by BP, Amoco, Statoil, Pennzoil, McDermott and other western oil companies. Russia could effectively block the flow of oil by refusing to allow a pipeline through its territory. It could also apply pressure to Azerbaijan against running a pipeline through Turkey to the Mediterranean.

If so, it would send a message to other oil companies that deals with former Soviet republics cannot be made without Russian approval.

Round opponents make their mark

By Nancy Dunne in Washington

US foes of the Uruguay Round world trade pact have been flooding the Senate with telephone calls as the focus of opposition has moved to the \$40bn cost in the form of lost tariff revenues over the next decade.

Urged on by groups on the right and left, opponents have been demanding that senators commit themselves to a vote against a waiver of budget rules, which could raise the deficit.

The tactic is the latest in a lengthy battle against the new world trade pact. The Clinton Administration has made passage a priority, but time and election year pressures have become a

serious obstacle in the effort. Opponents have turned the debate into an issue of fiscal responsibility six weeks before many Democrats are facing extraordinarily tight races.

"Gatt's complicated," said Miss Lori Wallace, one of the anti-Gatt leaders, she said. "But there's nothing complicated about hustling the US budget to pay for foreign tax cuts. The Gatt package asks for increased taxes and budget busting. It makes this a nightmare for many Democrats."

Labour leaders, rightwing Christian groups, conservative talk show commentators and Mr Ross Perot, the erstwhile presidential candidate, have stepped up their opposition. Mr Perot's

citizen brigades have targeted key Democratic senators who are up for re-election. These include Tennessee Senator Jim Sasser, the heir presumptive to Majority Leader George Mitchell, who is retiring this year.

Senator Bob Kerry, a Nebraska Democrat, is also coming under strong pressure. Like most Democrats, both are already suffering from the political weakness of the president and could be helped by a delay in the vote until next year.

With Congress due to adjourn in October for campaigning, the administration will next week be forced to submit the implementing legislation which has left key issues

unresolved in Congress.

Mr Mickey Kantor, the US trade representative, must decide the timing of a controversial rule of origin for textile and apparel imports for one year - for one year as the House Ways and Means Committee wants it - or five years as the senate wants it. The opposition is targeted at the Senate, where 60 votes will be needed to waive budget rules before a vote can be held.

The year-long struggle to pass the Gatt has lowered the stock of Mr Kantor, who was considered one of the most successful members of the cabinet in the wake of the Uruguay Round deal last December. Business lobbyists talk openly of wanting a new trade team.

Clinton renews sanctions threat

US President Bill Clinton yesterday renewed his threat to impose trade sanctions on Japan after a meeting with Japanese Foreign Minister Yohel Kono that focused on deadlocked trade negotiations, writes Our Foreign Staff.

Further talks are due today to tackle the contentious vehicle manufacturing sector. Mr Kono also held talks with Secretary of State Warren Christopher and US Trade Representative Mickey Kantor.

In addition to cars, Washington is pressing Tokyo to improve foreign access to government contracts telecommunications and medical technology.

"The president emphasised that unless agreements are reached under the framework agreement by the Sept 30 dead-



Foreign Minister Yohel Kono: also pressed over access to telecoms and medical sector

line, he will have to consider remedies under US trade laws," the White House said.

WORLD TRADE NEWS DIGEST

GEC-Alsthom to supply diesels to SNCF

SNCF, the French state-owned railway system, yesterday said it will buy 100 diesel locomotives worth FF2.5bn (\$470m) from GEC-Alsthom, the Anglo-French engineering group, writes John Ridding in Paris. Under the deal, which could rise to 250 diesel units, France's regional councils are to assure the financing of the construction of the locomotives. The French state is to give a subsidy of FF180m for the first 100 units. SNCF will finance part of the research and launch costs for an amount of FF211m. The order will come as a relief to GEC-Alsthom, which is jointly owned by Alcatel Alsthom of France and GEC of the UK. SNCF has long delayed the order for new diesel locomotives, contributing to a decision to restructure and cut jobs at the joint venture's transport division earlier this year.

The units, each comprising one motor wagon and one trailer, are likely to be built at GEC-Alsthom's plant in La Rochelle in western France. The order is not expected to result in increased employment in the company's transport division.

UK-Greek group in tunnel deal

A British-Greek joint venture, Christiani & Nielsen-TEGK, has signed an Ecu40.2m (\$50m) contract to build a 1 km undersea tunnel linking two ports in western Greece, writes Kerin Hope in Athens. The tunnel project, which is still to be ratified by parliament, is the first infrastructure project to be launched under the European Union's Ecu16.8bn funding package for Greece. Christiani & Nielsen-TEGK was the lowest bidder among 10 consortia shortlisted for the project. The choice of a tunnel, between Aktion and Provezza at the entrance to the Ambracian Gulf, rather than a bridge was made on environmental grounds to protect the gulf and the site of a famous ancient naval battle in 31 BC.

\$130m GM contract for Saab

Sweden's Saab Automobile said yesterday it had received a SKr1bn (\$135m) order from General Motors, one of its joint owners, for the supply of 40,000 manual gearboxes a year over five years, writes Christopher Brown-Jones in Stockholm. It is the second large order which Saab has received from GM since the US group took a 50 per cent stake in the company five years ago. It will increase Saab's production by around 30 per cent to 115,000 manual gearboxes a year while deliveries to GM will rise six-fold to 48,000 gearboxes a year. The order was placed by GM's US Powertrain Division. GM's main US development centre. The gearboxes, used in Saab's 900 and 900i models, will be fitted to a new GM model which is due to be manufactured in the US later this decade. In 1990 Saab received an order for up to 65,000 gearboxes a year for GM cars produced in Europe. Deliveries are currently running at only 8,000 a year because of the recession in the German car market.

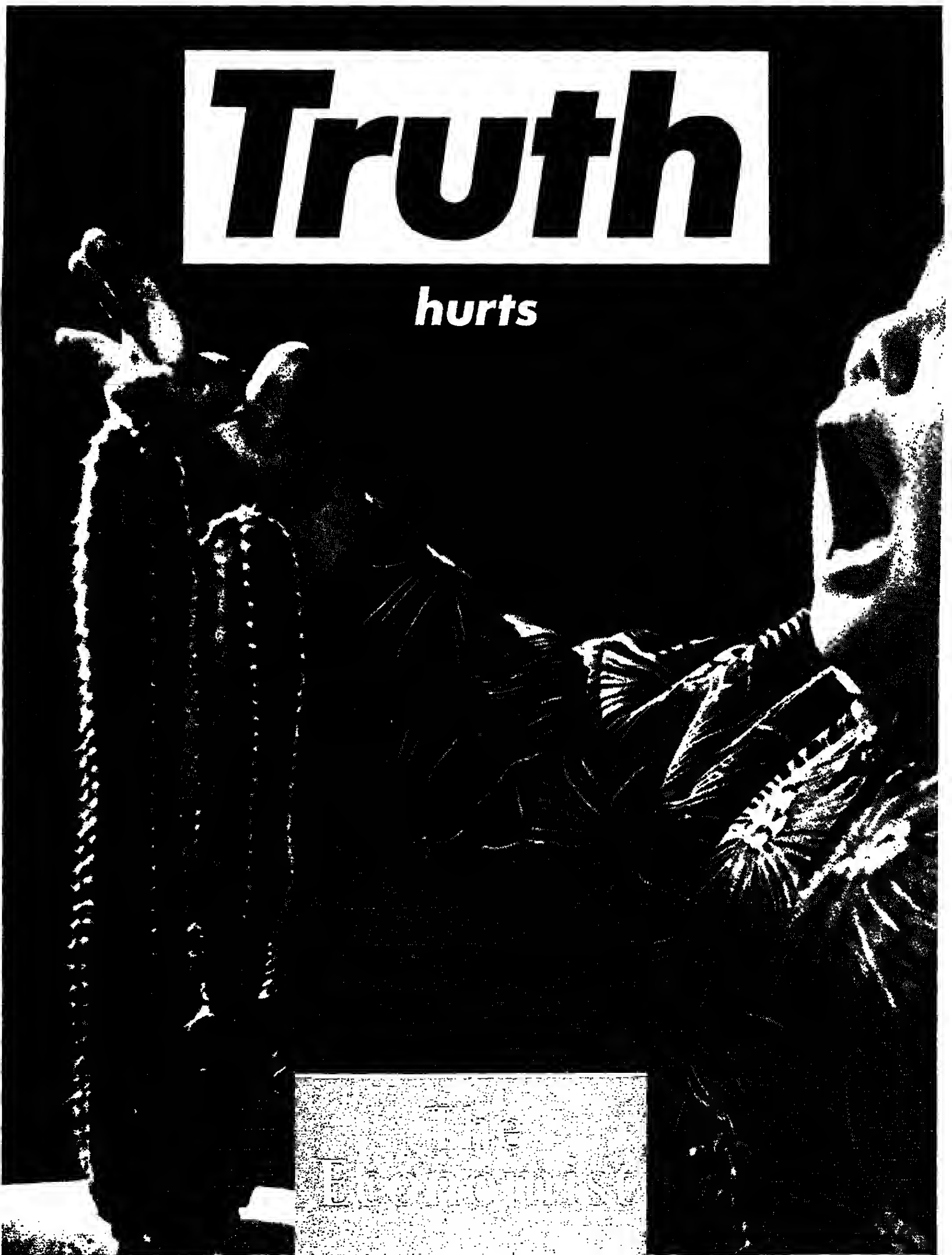
■ Bouygues Offshore, a unit of Bouygues of France, has signed a FF140m (\$158m) contract to rebuild Nigeria's Forcados oil terminal for the Nigerian unit of the Royal Dutch/Shell group.

■ Japan's four steel pipe makers - Sumitomo Metal, Nippon Steel, Kawasaki Steel, and NKK - are set to export steel pipes to Russia between October and the end of this year.

■ Electrolux of Sweden is considering a joint venture with Polish washing machine producer Swiatowit Myszkow to develop appliance sales in central Europe. Electrolux has signed a letter of intent with Myszkow to start assembling Electrolux products in January next year.

Truth

hurts



NEWS: INTERNATIONAL

Chinese will be encouraged to buy cars

By Tony Walker in Beijing

China will soon begin providing incentives to individual car buyers to help boost its fledgling automotive sector as part of a policy aimed at encouraging widespread car ownership.

Speaking after a two-day conference in Beijing, Mr He Guangyuan, China's minister of machinery, said that individuals would become the main purchasers of cars and the incentives were designed to encourage this trend.

Mr He did not provide details but it seemed he was proposing that bank loans or other forms of finance be made available to facilitate car purchases.

The official China Daily newspaper reported officials responsible for the automotive sector as saying that to "increase sales the state will introduce incentives to car buyers to boost market demand".

Individuals, as opposed to companies and work units, make up only a fraction of car owners. Of the estimated 1.2m cars on China's roads 5 per cent are owned privately, according to China Daily.

Mr He also announced the government would increase its support over the next two years for four existing car makers in an effort to boost production.

China's new automotive policy sets as its goal the development of a mass production automotive sector by early next century to meet an expected booming demand for cars.

China's production goal for the year 2000 is some 1.6m cars, with 80 per cent of the market to be supplied from local production. Output would rise to 4m by the year 2010.

In 1993, China produced 234,000 passenger cars out of

total production nationwide of 1.3m vehicles. More than 300,000 vehicles including trucks, commercial vehicles and cars were imported.

Among manufacturers singled out for government support were those in which Volkswagen of Germany and Daikatsu of Japan are involved. Mr He did not provide details of assistance, but Beijing recently announced it would provide additional funds for the automotive sector.

The authorities are also making clear they will play an active role in the rationalisation of an industry whose production has hitherto been scattered among dozens of small inefficient plants, some of which produce a few vehicles each month.

Thousands of components manufacturers are also being warned that unless they achieve economies of scale through mergers or joint ventures with foreign partners they will be forced out of business.

Mr He announced that some 350 components businesses out of an estimated 4,800 throughout China would get government assistance. Again, no detail was provided of the form this assistance might take.

China has placed a freeze on new automotive manufacturers entering the market until 1996, but international companies are being urged to participate in upgrading the components sector.

Such companies as Ford, GM, Toyota and Nissan, have been told that to participate in the components sector is virtually a prerequisite for permission to become involved in manufacturing. This has prompted a scramble for Chinese partners among component suppliers.

Keating airport plan takes off despite left

Lease clause a concession to Labor party opponents, writes Nikki Tait

Australia's Labor government yesterday approved plans to sell the 22 airports owned by the Federal Airports Corporation to the private sector, a deal which could net \$2.5bn (\$500m) for the Treasury.

But the decision was taken only after an important concession to the left wing of the party, which is opposed to privatisation. The airports will be sold on a "long lease", rather than a freehold basis, and the state will continue to own the commonwealth land on which they are sited.

Even so, it still has to steer the proposal through its annual party conference in Hobart next week. What shape the airports sale takes, and what markets are set down for future privatisation policy, will be keenly debated.

The government of prime minister Mr Paul Keating is also hoping to sell off a 75 per cent stake in Qantas, the

national airline, an 80.6 per cent stake in the Australian Industry Development Corporation (AIDC), an investment and project finance group, and a handful of smaller assets.

The plans were outlined in the budget in May, and expenditure plans depend on proceeds of \$2.45bn during 1994-95. They are intended to follow privatisation receipts of more than \$45bn since the late 1980s.

Labor party policy justifies public ownership because it makes "essential services... available at affordable prices to all Australians". It also requires that any privatisation proposal be scrutinised to ensure that it does not "weaken the sense of national identity associated with the business in question, or concentrate power in the hands of

narrow private interests". A new policy is being proposed for the conference. It refers to "improving the provision of community services through the public sector, non-government community organisations and the private sector as appropriate" and ensuring that any sale has a net benefit to the community.

Already, opponents have organised anti-privatisation rallies in cities across Australia in recent weeks. The Qantas sale has been accepted as a fait accompli, and is planned to go ahead in the first half of 1995. A 25 per cent stake in the airline has

already been sold to British Airways and the company has been gearing up for a stock market sale.

Earlier this week, it reported improved earnings results for 1993-94. The only rumblings on the Qantas front centre on the scale of the employee share ownership scheme required as part of the sale.

But the nation's airports are much more contentious. There are 22 separate properties, ranging from Sydney's Kingsford Smith, which handles 16m passengers a year, to Bankstown, with 7,500.

The PAC was formed in 1988, to make national airport strat-

MAIN AIRPORTS

	Sydney	Melbourne	Brisbane	Adelaide	Darwin	Perth
Profit/Loss Before Interest (\$A000s)	71,056	41,368	34,126	7,154	2,195	10,186
Passengers	15,633,285	10,417,481	7,026,180	3,051,895	608,013	3,081,929

however, clustering the properties might be a more viable proposition, since this would offer more opportunities for local or state-based investors to be involved. This approach might also have the advantage of appearing "pro-competitive", the argument being that different groups of regional airports might then vie for business.

While wrangling continues over the particulars of the airport sale, the bigger question is how much further a Labor government will be able to push Australia's privatisation programme.

The biggest potential candidate is Telstra, the government-owned telecommunications group. However, ministers have indicated that it will not be sold in the current term of office.

Mugabe pledges to retain socialism

Zimbabwe's president, Mr Robert Mugabe, brushing aside the demise of communism, pledged his party's commitment to socialism yesterday and also said he would speed up control of the economy by the black majority, Reuters reports from Harare.

"Socialism remains our sworn ideology," Mr Mugabe told a congress of his ruling Zanu-PF party.

Amid applause from nearly 3,000 delegates assembled at the futuristic Harare Conference Centre, he said: "The challenge is to continue to redefine it (socialism) in a manner consistent with our culture and historical experience, the changing times and the aspirations of our people."

"Naturally, such an ideological synthesis calls for a committed and conscious cadreship which agitates for the realisation of our objectives."

Mr Mugabe, in power in Zimbabwe since independence from Britain in 1980, said Zanu-PF found it unacceptable that the majority 10m blacks, who outnumber whites by 10-to-one, were still marginalised in the control of the country's economy.

"Our people still suffer economic disablement as a result of myriad old laws, business practices and prejudices, themselves a legacy of a colonial past that sought a wholesale disempowerment of the blacks. Needless to say, this situation is unacceptable and cannot be allowed to continue," he said.

Mr Mugabe said his government was setting up an investment fund which, together with an improved business climate in Zimbabwe brought about by western-backed economic reforms, should quicken the pace of transfer of economic power.

He also pledged to accelerate a controversial plan that allows the state virtually to seize mostly white-owned farms to resettle thousands of blacks thrown out of their original homes by previous white governments.

"Currently five million hectares of land is being purchased from the large-scale commercial areas to bring total land acquired for resettlement purposes to 8.3 million hectares," Mr Mugabe said. The plan, introduced in 1992, is opposed by Zimbabwe's 4,500 commercial farmers - producers of most export crops and food.

The five-yearly congress will also elect new leaders for the party that has ruled alone for the past 14 years.



Work in progress on Kap Shui Mun viaduct and the 2.2km Tsing Ma suspension bridge (background) which will link Hong Kong to its new airport, due to open in 1997

HK group plans \$12.7bn power plants in India

By Stefan Wagstyl in New Delhi

India said yesterday that Hopewell Holdings, the Hong Kong based group run by Mr Gordon Wu, is planning to build two power stations worth \$12.7bn in what would be India's largest foreign investment. Although the scheme is at an early stage, the news will boost India's efforts to promote confidence in the economic reforms started three years ago.

The announcement, made yesterday by Mr N.K.P. Salve, power minister, comes a few days before the annual meeting in Madrid of the International Monetary Fund and World Bank, where India's economy will come under scrutiny.

Mr Salve said Hopewell's scheme would be the largest power project planned in India. Hopewell has yet to decide the sites for its power stations which would each consist of eight units of 660MW.

They would come on stream in stages between 1999 and 2003 if Hopewell secures the necessary clearances by early next year. The stations would be coal-fired using Indian coal.

Under a memorandum of understanding to be signed by Hopewell and Powergrid, a state owned power transmission undertaking, the output is to be sold to Powergrid which would sell the electricity to state electricity boards (SEBs). Hopewell would therefore avoid dealing directly with the loss making SEBs, which are subject to political interference, notably over pricing.

India has received about 100 offers from private groups to

build power stations since it invited investment in the sector two years ago as part of its economic liberalisation programme. Seven schemes are in the final stages of preparation though none has yet received a final go-ahead from investors and bankers. In order to encourage investment the government is backing these seven schemes by offering guarantees that the SEBs will pay their bills.

Turnover on India's bourses will more than triple over the next three years with their capitalisation doubling to \$300bn, according to a study by Barclays de Zoete Wadd (Asia), Reuters reports from Bombay. "Never since the East India Company landed 300 years ago has India been the object of as much foreign commercial interest as today," said the study.

BZW said India was at an early stage of the current business cycle. "We see this driving strong earnings growth for at least the next three years," according to the study made available to Reuters yesterday.

It forecast that the 30-share index of the Bombay Stock Exchange, the largest of 23 India's bourses, would reach the 5,000 level by March. It was trading around 4,500 this week, down slightly from its September 12 record close of 4,628.57. India has been one of Asia's most attractive emerging markets this year, rising some 34 per cent since January.

But BZW cautioned that state elections in December and early 1995 would create some uncertainty in the market, but would not be a long-term factor.

NEWS IN BRIEF

Weather men 'worth \$20bn'

Weather forecasts save the world economy some \$20bn-40bn a year, the World Meteorological Organisation claimed today. Benefits from meteorological and hydrological services are typically five to 10 times the amount spent of around \$4bn a year, the WMO says, Frances Williams writes from Geneva.

Examples of an international conference in Geneva, which ends today, include rockets used to combat potentially catastrophic hail in Hungary, typhoon warnings in Vietnam and extensive benefits to farming and aviation.

The British Met Office said earlier this week that for Britain alone, weather forecasts save almost £1bn nationwide.

Red Cross search agreed

Kuwait and Iraq are ready to accept a proposal by the International Committee of the Red Cross to form a technical team to investigate the fate of all people missing from the 1991 Gulf War, the ICRC said, Reuters reports from Kuwait.

Mr Arnold Lethold, ICRC delegate for the Arabian peninsula, said formation of a technical team, the details of which had yet to be settled, would speed the search for the missing.

Most of those missing are the 600 Kuwaitis alleged by the emirate to be held in Iraq, which occupied Kuwait for seven months in 1990-91.

"Kuwait and Iraq have informed the ICRC that they are ready to accept the proposal," Mr Lethold, who is based in Kuwait, said in a telephone interview.

The return of captives held in Iraq was a condition of the ceasefire imposed on Baghdad after a US-led multinational force ejected its troops from Kuwait in 1991.

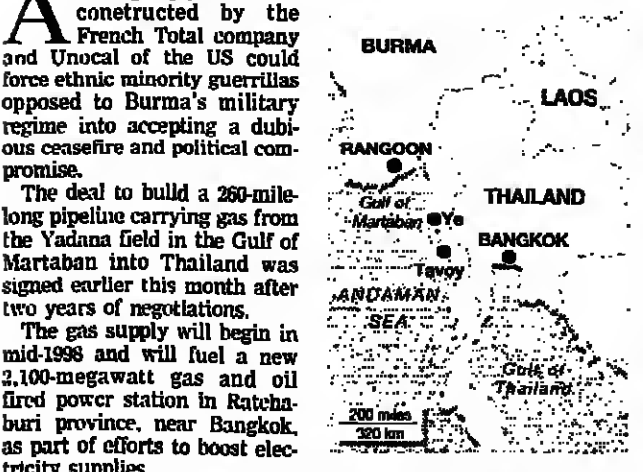
Vietnamese arrive home

A first group of Vietnamese boat people forcibly sent home by Hong Kong for six months arrived quietly in Hanoi yesterday despite a turbulent start to the deportation in the British colony earlier this week, Reuters reports from Hong Kong.

The 33 boat people, most deported against their will, filed off the aircraft at Noi Bai airport without apparent resistance.

The flight marked the resumption of Hong Kong's repatriation programme after a two-month suspension.

The last forced repatriation was in March. The programme was suspended after a controversial April police raid.



They say, will encourage the military regime to use brutal methods to suppress the rebels. Refugees fleeing into Thailand have reported that the Burmese army has press-ganged

villagers into helping extend a railway line from Ye to Tavoy which might ferry troops to protect the pipeline.

The Moo guerrillas, allies of the government-in-exile, have said they will attempt to destroy the pipeline "by any means possible" in protest against the human rights abuses.

The Burmese army is likely to rigorously protect such a valuable source of hard-currency exports.

The pipe would have closely followed the route of the Japanese army's notorious Death Railway on which 16,000 Allied and 100,000 Asian prisoners died during the second world war until security concerns forced the route further south.

Unocal has strongly denied that the pipeline's construction will result in any human rights abuses or damage to the environment. "These allegations

troubled us deeply. "We investigated and found them to be false," said Unocal's chief executive Mr Roger Beach in July.

Total holds 52.5 per cent of joint venture with Unocal to exploit the Yadana field 43 miles offshore, which may hold more than 5,000bn cubic feet of gas reserves.

This is roughly twice the size of Thailand's Boogit field, which is also operated by Total. Roughly half the venture's investment will be spent on the pipeline.

The Myanmar Oil & Gas Enterprise has an option to purchase 30 per cent of the venture. Thailand's petroleum Authority has an option on a 15 per cent stake.

The New Mon State Party recently suspended peace talks with the State Law and Order Restoration Council because they say Rangoon negotiators

wanted the Mon rebels confined to a small area and offered no political concessions.

But the Thai army has been putting pressure on the Mon insurgents to enter into a ceasefire with the Burmese regime and has forcibly removed refugees from the path of the pipeline at Ban I-Tong where it enters Thailand, according to Burmese opposition groups.

The Mon insurgents say the Thai authorities are using the thousands of vulnerable refugees in Thailand as a weapon to persuade the guerrillas to enter a ceasefire arrangement.

Thailand's National Security Council, which takes the lead in co-ordinating border policy, argues that it merely returns illegal economic refugees.

In July the Burmese regime achieved another step in its quest for respectability when

its foreign minister attended the annual Association of Southeast Asian Nations ministerial meeting as a guest of the host Thailand.

That same week 6,000 refugees at Halcockbani camp - who had been forced back across the border by the Thai army earlier in the year - were attacked by Burmese soldiers.

The Petroleum Authority of Thailand said recently that the development of another gas field nearer the southern tip of Burma, the Yedagun field, could supply a further 200-250m cubic feet of gas a day "in the near future".

Gas from the Yedagun field would probably be used to fuel a power station in southern Thailand which faces a potential shortage of electricity following slow progress of negotiations to import gas from Malaysia.

Nigeria's oil union loses sacking case

The sacked leaders of Nigeria's white-collar oil union lost a court battle yesterday against their dismissals, Reuters reports from Lagos.

The country's military ruler, General Sani Abacha, sacked the union leaders and those of another oil union last month to try to end a strike. The stoppage was aimed at forcing Gen Abacha to hand power to Mr Moshood Abiola, the undeclared winner of last year's annulled presidential election.

Judge Roseline Ukeje dismissed their application for the sackings to be declared unconstitutional. She said the court lacked jurisdiction to hear the case following recent decrees making government actions unchallengeable in any court.

Mr Abiola is on trial for treason for proclaiming himself president in defiance of the army rulers.

Court halts Manila's VAT plans

By Jose Galang in Manila

The Philippine government has suffered a new hitch in its bid to launch an expanded value-added tax (VAT) system, a significant component of its economic programme.

The Supreme Court told the government yesterday to refrain from implementing the tax scheme, because a restraining order issued last June still applied.

The court injunction was issued after the filing of several cases separately by groups opposing the expanded VAT because they argued it was "unconstitutional" and would lead to sharp price increases.

VAT, originally introduced in the Philippines in 1988, is being expanded under a new law to cover more economic sectors in order to bolster the government's revenue base.

The government won a favourable ruling on the petitions, but the court said this did not lift the injunction, which was separately issued.

After that ruling the government announced it would start collecting the new tax from October 1.

The opposing groups have appealed for a reconsideration of the August court ruling, and the court said that since the case "remained pending", the temporary injunction would continue to be in force.

The government had hoped that the expanded VAT system would increase revenue collections by about 80 pesos (\$1.65) a year, helping keep its budget deficit to 2.2 per cent of GNP this year under its economic programme that gained international Monetary Fund support only last June.

Jungle rebels may fall victim to gas pipeline

William Barnes in Bangkok reports on the controversy surrounding a Total-Unocal deal

A \$1bn gas pipeline to be constructed by the French Total company and Unocal of the US could force ethnic minority guerrillas opposed to Burma's military regime into accepting a dubious ceasefire and political compromise.

The deal to build a 260-mile-long pipeline carrying gas from the Yadan area in the Gulf of Thailand into Thailand was signed earlier this month after two years of negotiations.

The gas supply will begin in mid-1998 and will fuel a new 3,100-megawatt gas and oil fired power station in Ratchaburi province, near Bangkok, as part of efforts to boost electricity supplies.

The project has been criticised by human rights groups who argue that the pipeline must run through jungle contested by Mon and Karen minority insurgents which,

willers into helping extend a railway line from Ye to Tavoy which might ferry troops to protect the pipeline.

The Moo guerrillas, allies of the government-in-exile, have said they will attempt to destroy the pipeline "by any means possible" in protest against the human rights abuses.

The Burmese army is likely to rigorously protect such a valuable source of hard-currency exports.

The pipe would have closely followed the route of the Japanese army's notorious Death Railway on which 16,000 Allied and 100,000 Asian prisoners died during the second world war until security concerns forced the route further south.

Unocal has strongly denied that the pipeline's construction will result in any human rights abuses or damage to the environment. "These allegations

Longer term outlook sees a shift from direct to indirect taxation – but that could threaten the outcome

Tokyo's aim remains the same: to boost demand

By Gerard Baker in Tokyo

The tax changes announced yesterday started life a year ago as an uncomplicated fiscal stimulus intended to breathe life into the ailing Japanese economy.

Through a tortuous series of political and administrative twists in the last year they came, for a while, to represent rather more. Some proponents even claimed that tax reform was part of a broader strategy of social and economic reform that would help Japan's economy to open up to the consumer and to the world. But the final formula suggests that

the overriding aim in the end was the same as ever – to boost demand.

The key element remains the fiscal stimulus. The economy is benefiting from income tax cuts of about ¥6,000bn (¥38bn). The average family this year will be more than ¥100,000 better off as a result. The main effect of the package is to maintain that injection of demand for the next three years at least. Fiscal redistribution, if and when it comes, in the form of higher consumption tax, is deferred.

That could normally be expected to boost consumption. But in the past, Japanese taxpayers have

tended to save a very high proportion of their extra revenue from tax cuts – up to half by some estimates. That limits the benefits to the economy of any fiscal stimulus. Worse still, some economists fear that if consumers believe the benefits of the tax cut will be removed in three years' time by an indirect tax increase, they may choose to set aside even more of the extra money in savings.

But the inclusion of a clause in the tax proposals to allow the government to reconsider the consumption tax increase in the light of prevailing economic conditions is crucial.

It is likely to make consumers feel a little less uneasy about the delayed tax rise. Mr Hirohiko Okumura, chief economist at the Nomura Research Institute, argued that the opt-out clause was crucial.

"The income tax cut will only raise consumption significantly if the taxpayer does not think he will have to pay higher consumption tax in the future, regardless of the economic conditions," he said.

Higher consumer demand should also translate into good news for the world's trade imbalances. There have been signs in the last few months that the high yen has

started to stimulate imports; that process has been assisted by the current year's tax cuts and is likely to be accelerated by the new fiscal stimulus.

But in the longer run, Japan's trading partners may be less optimistic that the changes will radically alter the structure of Japan's economy.

If the consumption tax increase goes ahead as planned, it will represent a significant shift in the burden of taxation from direct to indirect tax.

It is unlikely that will encourage Japanese consumers to spend more

and save less. In fact the shift from direct to indirect taxation normally has the opposite effect, since it raises the real cost to the taxpayer of spending relative to saving.

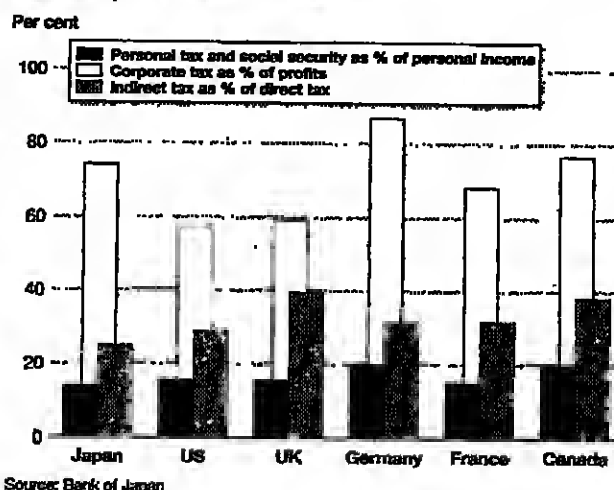
However, the scope of fiscal policy, and of this particular fiscal package, was not intended to be so wide.

As Ms Mineko Sasaki Smith, economist at Morgan Stanley in Tokyo, pointed out: "This was never intended to do more than give an immediate stimulus, while remaining revenue-neutral in the long run. Real economic reform still awaits the opening-up and thorough deregulation of Japan's economy."

Main points of Japan's tax reform proposals

- Income tax cuts and consumption tax increase to be proposed in a single package of bills for legislation by the end of the year
- Income tax to be cut by ¥5,500bn annually in 1995 and 1996, continuing an existing ¥5,500bn cut in the current year. Of that, ¥3,500bn is to be permanent and ¥2,000bn temporary.
- Sales tax to be increased from 3 per cent to 5 per cent from April 1997, subject to review six months before implementation
- After tax brackets, to reduce the burden on middle income earners and smooth out the rise in marginal rates for higher earners.
- Basic rate threshold, for married man with two children, to rise from ¥3.27m per year to ¥3.59m.

Tax and non-tax burden



Source: Bank of Japan

to intervene in domestic politics.

But for better or worse, that political decision clears the way for a tax package to be presented to parliament at the next session, opening on Sep-

tember 30. If Mr Murayama's Socialist followers prove as fast on their feet as he, Japan's surprising new government will surprise its critics and deliver on tax, where two previous administrations failed.

Premier's fast fiscal footwork likely to be welcomed by Japan and US

William Dawkins reports on the reforms that follow a year of wrangling

Mr Tomiichi Murayama, Japan's Socialist prime minister, yesterday showed himself to be just as unencumbered by ideology as his new partners in the Liberal Democratic party. The fiscal reform package his cabinet approved includes a rise in consumption tax, opposed by Mr Murayama's own Social Democratic party until he ditched its fiscal dogma yesterday, in the interests of keeping the government together and staying in power.

Needless to say, the other part of the scheme, cuts in income taxes, will bolster the coalition's recently rising popularity. It will also win some applause from the US government, eager for Japanese consumers to spend more on imports and reduce the politically troublesome trade surplus. The US, never sympathetic to the Japanese finance ministry's attempts to increase the tax base, will be less happy about the rise in the sales levy.

Japan's Socialists have thrown out their old policies at high speed, since taking office at the end of June in a three party coalition dominated by their former enemies, the conservative LDP. Opposition to the military and to Japan's

security treaty with the US were the first to go; consumption tax is the latest.

As a result, what started out only three months ago as one of the oddest political marriages in the world, has grown into an effective working alliance. Yesterday's decision opens the way to ending more than a year of wrangling on tax policy, assuring the SDP can maintain unity on the tax change. It suggests Japan may be less of a political mess than it looks.

Mr Murayama's fast fiscal footwork is equalled only by the LDP itself, which took 10 years of painful internal wrangling to get consumption tax introduced in 1989, under pressure from the finance ministry. Late the same year, the LDP nearly scrapped sales tax after losing its majority in the upper house of parliament because of popular resentment of the new levy.

Ever since, the finance ministry has been patiently working to bring a rise in Japan's internationally low 3 per cent sales tax. It argues that the government needs to raise more revenue from indirect taxes to make up for an erosion of the income tax base caused by a the rising propor-

tion of pensioners and falling number of wage earners.

But the ministry's strategy of adjusting Japan's lop-sided tax base last year became muddled up with the need to cut income taxes to stimulate private spending. Sooo after taking office in August 1993, the coalition government of Mr

Mr Murayama, a Japanese cabinet novice, had little choice but to take the cue from his finance ministry advisers

Morihiro Hosokawa, former prime minister, started to plan an income tax cut, under pressure from the US.

The finance ministry saw its chance to capitalise on the confusion and achieve that increase in consumption tax, by making it a condition of Mr Hosokawa's income tax cut.

The aim was for the tax change to be revenue neutral; that is to say the rise in private income was to be wiped

out by the rise in consumption tax, due to take effect in three years' time.

Yesterday's package suggests a rise in consumption tax from 3 per cent to 5 per cent, rather than Mr Hosokawa's original scheme for a 7 per cent sales tax, but the broad economic impact will be about the same because the income tax cut is smaller than that proposed by the former leader.

Mr Hosokawa went for the ministry's trade-off, but made the mistake of announcing a combined income tax cut and consumption tax rise – last February – without consulting the SDP, the largest partner in his coalition. The ensuing row contributed to the downfall of Mr Hosokawa's government last April and made it impossible for the SDP to trust his main adviser, Mr Ichiro Ozawa.

The ensuing government of Mr Tsutomu Hata, also based on Mr Ozawa's influence, managed to struggle on for only two months until the end of June, when a disgruntled SDP threw in its lot with the main opposition party of the time, the LDP.

Mr Murayama, a novice in the Japanese cabinet, had little choice but to take the cue from his finance ministry advisers

Telecom laggards to demand more help

World telecommunications ministers ended a meeting of the International Telecommunication Union yesterday dominated by developing countries complaints that they were being left behind on the information superhighway. Reuter reports from Kyoto.

The meeting of 49 ministers issued a vague communiqué that said they were committed to developing global telecommunications but it left unresolved how to cope with competition and how to bridge the gap between nations such as the US and developing countries.

The meeting Japanese city appeared to signal that developing nations believed the time had come to raise their voices and demand more help to improve just their basic domestic services.

It was in stark contrast to a satellite speech many delegates heard only hours earlier from US Vice President Al Gore who called for governments to redefine their role in telecommunications.

"We believe that sound market principles can foster the efficient and free flow of communications worldwide," Mr Gore said in his speech from Washington to the meeting in Kyoto. The so-called Kyoto Declaration said: "We will commit ourselves to work toward advancing the world's telecommunications structure, enabling all our citizens to share its benefits as we progress towards the 21st century."

But speaker after speaker from the Third World said they were struggling just to provide a telephone call to a village, let alone drive on the Global Information Superhighway.

"In view of the severe imbalance of global telecommunications development, we believe that the construction of the telecommunications networks for the 21st century should start from the actual situations of various countries and progress in a planned and step-by-step way," Mr Wu Jichuan, China's minister of telecommunications, said.



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PEOPLE:

UD catches Finn Johnsson in its gin trap

Guinness has ended the almost year-long search for a successor to Crispin Davis, former managing director of United Distillers, with the surprise choice of Finn Johnsson, chief executive of Euroc, Sweden's largest building products group.

The decision to plump for a second MD for Guinness' spirits division who has no experience of the drinks market came as a surprise to City analysts. The departure of Davis - famous for the decision to reduce the strength of Gordon's gin - after little more than a year was widely attributed to his experience in marketing consumer goods with Procter & Gamble.

It is widely believed that Davis wanted UD to compete more strongly on price - as competitors are doing - while

Guinness chairman Tony Greener, with his background in Dunhill, retained his faith in building premium brands.

Greener says there is no reason why the head of UD should be a drinks man, as the company has "plenty of people with drinks and marketing experience. I was not specifically looking for somebody who understands the drinks industry. I was looking for somebody with substantial international experience, running businesses around the world in highly competitive markets and who knew his way around the world."

"Finn Johnsson fulfils that specification. He is someone who is a good leader and general manager of a highly competitive international business," Greener adds that after a Europe-wide search, John-



Johnsson was "clearly the best candidate".

Analysts suspect Johnsson's lack of drinks experience means Greener will continue, initially at least, to have a dominant influence on UD's strategy.

But Johnsson's achievements at Euroc, which he

joined as chief executive in 1990, suggest he is not a soft touch. He has gained respect in Sweden for turning the company round and restoring it to profit, in spite of a recession in building products and cement.

Before Euroc, he spent 14 years running international consumer products companies with Swedish Match, subsequently Stora. He ran companies whose business interests were mainly outside Scandinavia, and gained management experience in the US, Western Europe and the Asia-Pacific region.

Johnsson says he is excited at returning to branded consumer goods where he spent so much of his career. But he has to wait a few months yet. The agreement with Euroc is that he will not take up his new post until February.

Finance director
for Cadbury
Schweppes

David Kappler, 47, was appointed group finance director designate of Cadbury Schweppes yesterday, replacing David Jink who retires in March next year after 32 years' service.

Kappler joined Cadbury in 1965 as a trainee accountant. After qualifying in 1969, he completed various assignments before becoming factory accountant at the Bourneville plant. Promoted for his accountancy acumen, he was also known for his rugby playing talents and captained the Bourneville rugby team.

In 1977 he left to become financial director for the cleaning products group Jeyes, which was then owned by Cadbury Schweppes, leaving seven years late to join Trebor, the sugar confectionery company, where he became finance director.

In 1989 Kappler was one of the driving forces behind the negotiations leading to Cadbury's purchase of Trebor and was appointed finance director of the Cadbury Group after the acquisition. He joins the Cadbury Schweppes' board in January 1995. (See Observer).

■ Keith Douglas-Jones has been appointed operations director of BUPA Membership; he moves from American Express in New York.

Finance moves

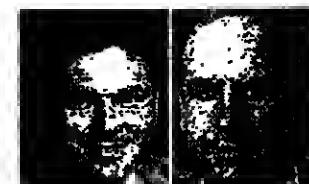
■ Robert Dix, formerly finance director of CHARTERHOUSE Bank, has been appointed group finance director of the parent company. Pauline Embury has been appointed corporate finance director of operations and to the board of Charterhouse Bank.

■ Robin Lacey has been promoted to director and head of UK institutional marketing at FLEMING Investment Management following Patrick Johns' departure.

■ Louis d'Alençon, formerly director of debt origination and derivative marketing at Merrill Lynch, has been appointed md of UBS' financial institutions group for financing and risk management. Mark Howdle,

formerly head of global strategy at J.P. Morgan, has been appointed director and head of European equity strategy at UBS. Daniel Smaller has been appointed director and head of equity emerging market sales for UBS in London; he moves from Lehman Brothers.

■ Martin Dunsett (below left), formerly marketing director of Hill Samuel Financial Services Group, has been appointed UK marketing director of



SCHRODER VENTURES.

■ Tom Boardman (below right), formerly strategic change director of Prudential Financial Services, has been appointed md of NATIONWIDE Life and Nationwide Unit Trust Managers.

■ Björn Ramell, formerly head of the London branch of ASLK-CGER Bank, has been appointed head of institutional banking, northern Europe, for CREDIT SUISSE.

■ Roy Keenan has been promoted to md of BANK OF IRELAND Mortgages, based in Reading.

■ Debra Schinas, formerly a director of Baring Securities, has been appointed a director of Global Emerging Markets Equities at SALOMON BROTHERS.

Head of Private Finance Unit

The Treasury has a new mastermind for its efforts to attract private capital into the provision of public services. Richard Saunders has taken over as head of the private finance unit from Kingsley Jones who joins the team working on the department's fundamental expenditure review.

Saunders, 42, has spent the past two years in Washington, where he was economic counsellor at the British embassy. His work there has included liaison with the administration and Congress on economic

issues, banking and tax.

Before that, he was Treasury press secretary between 1990 and 1993, seeing Norman Lamont through the deepening recession and the negotiations over European Monetary Union leading up to the Maastricht treaty.

A graduate of Trinity College, Cambridge, Saunders joined the civil service in 1974, initially with the old Civil Service Department. When it was abolished in 1981, he moved to the Treasury, where his posts have included a spell as private secretary to the perma-

nent secretary, Sir Peter Middleton. He worked on the 1986 building societies reform and covered health in the public expenditure division during the government's national health service reforms.

Saunders' new role involves liaising with Sir Alistair Morton's Private Finance Panel and its full-time team in identifying projects where private finance could play a part. His job will be to lift any obstacles blocking such projects, either in the Treasury or elsewhere in Whitehall.

(See Leader)

CATHAY PACIFIC

CONNECTIONS

The Heart of Asia.

UK alleges EC procurement malpractice

By Andrew Baxter

The UK plans to press the European Commission to play an increased role in monitoring the £500bn a year European public procurement market in an attempt to reduce alleged malpractices by other member states.

The move is intended to address concerns that British companies may be losing out in Europe because of abuses of the European Union's public

procurement directive, which is intended to open all but the smallest public contracts to European-wide competition.

The directive, introduced at the beginning of last year, is a central element in the EU's single market programme. The public procurement market accounts for about 15 per cent of the EU's gross domestic product.

Mr Neil Hamilton, the Department of Trade and Industry minister with respon-

sibility for internal market issues, said many UK companies were making the most of opportunities which the single market had brought and were winning new business in Europe.

But, he said, "It is important that where the single market is not delivering those opportunities, we should take action to put things right."

He was unveiling the final report of the DTI's year-long public procurement review,

conducted with the help of members of the Confederation of British Industry and trade organisations.

It showed there had been no significant change in cross-border purchasing patterns. And it found systematic abuses of the system by purchasers in other member states which were likely to put British companies at a disadvantage.

These include abuse of the so-called "accelerated procedure" for fast-track contracts,

and the use of procedures for selecting bidders in a way that disadvantages foreign or non-traditional suppliers.

DTI officials said individual complaints were few. Of about 220 replies to the department's questionnaire only eight cases of substance remained after excluding companies which did not want to pursue the matter.

The study said this could be because the legislation is recent and companies had little experience of it, or because of

their lack of confidence in, or knowledge of, available enforcement mechanisms.

A 19-point action plan includes recommendations that alleged malpractice be taken up immediately at a political or senior official level within the European Commission, which is urged to monitor the market more closely. UK officials said more needed to be done to advertise public contracts and awards properly in the EU Official Journal.

Britain in brief



Output growth may be slowing

One of the first hints that the recent strong growth in UK manufacturing output might be levelling off emerged yesterday in a Confederation of British Industry survey.

The survey, which covers about half of UK manufacturing employment and exports, showed that the proportion of companies which expect output to increase in the next four months fell back in September.

Thirty four per cent of companies questioned said they expected output to rise, while 11 per cent said they expected it to decline. The positive balance of 23 per cent was lower than in August's survey, when it had been 30 per cent.

Hints that the recent surge in activity might be levelling off are unlikely to surprise the City, where many economists have been predicting that output growth would ease towards the end of this year.

Liberal Democrats had "enough confidence in our own strength to make common cause with others to achieve the best for the future".

Senior party figures, however, said that this week's gathering has been the worst since the conference following the break-up of the old Liberal-SDP Alliance five years ago.

Post Office sell-off backed by ministers

Kenneth Clarke, the chancellor of the exchequer, and Mr Michael Heseltine, trade and industry secretary, yesterday underlined their determination to press ahead with partial privatisation of the Post Office.

At an informal meeting of the cabinet's committee on industrial, commercial and consumer affairs, the ministers voiced their support for a majority sale of the Royal Mail.

Although they are understood to have the support of Mr Douglas Hurd, the home secretary, Mr John Major is still wary about the potential political cost of a decision Labour says will damage rural post offices.

Insurers issue fire risk warning

The risk of fire in larger supermarkets is causing increasing concern among insurers and safety experts following a spate of losses in recent months.

The lack of compartment walls, which would halt the spread of fire, and the absence of sprinkler systems and roof venting in many stores have been singled out as potential hazards.

The risks were highlighted at a conference this week organised by the Fire Protection Association, a body linked to the insurance industry.

Major ends row with Thatcher

By Kevin Brown in Pretoria

A long-distance row between Mr John Major and Baroness Thatcher over South Africa's economic prospects is over, the prime minister said yesterday. The row blew up after Lady Thatcher told businessmen in Bombay that foreign capital was unlikely to flow to South Africa because of concerns about violence.

Her comments - which cast a shadow over Mr Major's three-day official visit to South Africa - irritated Mr Major's party because they contradicted the prime minister's repeated declarations of confidence in the ability of the government of national unity to achieve prosperity.

Mr Major welcomed a clarification of Lady Thatcher's remarks, issued by her office in London after worried British officials pointed out the potential diplomatic damage.

The statement, which expressed support for the South African government and

confidence in the country's economic future, "answers the point thoroughly". Mr Major said before leaving for London.

He said Lady Thatcher had encouraged investment in South Africa and assistance for the impoverished black townships throughout her 11 years as prime minister, which ended in 1990.

"That she wishes South Africa well, and has done so continuously, I don't think there is a shred of doubt," he said.

Mr Major's successful South African trip, which also included short visits to Saudi Arabia and Abu Dhabi, has reinforced the growing confidence among his advisers that the government's worst problems are over.

Asked at a press conference in Pretoria whether the government's fortunes had reached a turning point, the prime minister responded cautiously: "No wise politician ever says that."

David Owen interprets the niceties of a peace procession to the US

It has been choreographed more carefully than a provincial wedding.

The post-ceasefire procession to Washington by Northern Ireland's leading politicians is being accompanied by an attention to detail that would do the most assiduous matron of honour proud.

These diplomatic niceties allow observers to assess where the main participants in the Northern Ireland peace process stand in the Administration's eyes. This is particularly welcome since it is not clear what tangible rewards the politicians will achieve.

The most important guest is Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party. His unmatched status is his reward for painstakingly building contacts on Capitol Hill over 20 years and for his strenuous efforts to keep Northern Ireland high on the political agenda.

It is significant that he was the first of the Ulster retinue to arrive. He was also granted an audience with President Bill Clinton during his meeting with Mr Al Gore, the vice-president, on Tuesday.



Hume: audience with Clinton

Whether his request for duty-free entry to the US for some goods made in Northern Ireland and the border counties of the Irish Republic will bear fruit remains to be seen. But his more general point, that US aid to the province should be channelled towards developing long-term opportunities rather than what one Hume aide described as "a gift-cheque peace dividend", will have received a sympathetic hearing.

Other guests are the Ulster Unionist party delegation which arrived in Mr Hume's slipstream. They too were granted a meeting with Mr Gore as well as senior Administration officials such as Mr Anthony Lake, Mr Clinton's national security adviser.

Earlier this week, Mr David Trimble, the UUP MP for Upper Bann, offered an insight into the delegation's agenda, saying: "Our concern is to ensure that the pressures of domestic American politics do

not intrude into our affairs." Mr Adams, due to arrive in the US shortly, is the black sheep who is likely to be kept away from the top table.

The Sinn Féin president, who is expected to meet members of both the House of Representatives and the Senate Foreign Relations Committee, will attempt to build on the propaganda success of his trip to New York earlier this year, visiting at least 10 US cities.

There are definite signs of a thaw in the party's chilly relations with London in the wake of Mr John Major's promise of a referendum within Ulster on the outcome of political talks on the province's future.

DUP officials acknowledged yesterday that Mr Paisley - currently in Canada - had received invitations to visit the US later this year and emphasised that he travels there frequently on private business.

Car output grows by 6%

By Kevin Done

UK car production rose by 6 per cent last month to 70,633 from 66,553 in the same period a year ago, confirming the rising trend of output during the last three months.

During the first eight months, car production has risen by 2.1 per cent to 519,150 helped by higher output for export markets.

UK car production was

"becalmed" at around 1.375m a year between September 1993 and May 1994, according to the Society of Motor Manufacturers and Traders, with lower output for export offset by higher production for the domestic market.

In recent months output for export has grown consistently, however - by 4.3 per cent year-on-year in the first eight months to 362,309 and by 7 per cent in August to 28,524.

Export growth has come from Rover - in particular its Land Rover four-wheel-drive vehicle division - Jaguar, Honda and Toyota, helping to offset declines at Ford, Vauxhall and Peugeot and a sharp fall in production at Nissan.

The SMMT has forecast significant growth in production in the second half of the year in particular in response to a demand recovery in continental European new car markets.

Peugeot invests £30m in new line

By John Griffiths

Peugeot Talbot is investing around £30m at its Ryton plant near Coventry to start production of a saloon version of the Peugeot 306 hatchback early next year.

The plant's output is to be increased from 1,829 cars a week to 2,000 a week from January and the extra model

will create "several hundred" new jobs among Peugeot Talbot's 70 component suppliers, Mr Geoffrey Whalen, deputy chairman, said yesterday.

Peugeot Talbot, UK production and distribution subsidiary of the French vehicles group, expects Ryton's total output to rise from 73,000 this year to approaching 90,000 in 1995 and return the company

to profitability. Last year Peugeot Talbot made its first loss - £8.7m before tax - since the late 1980s.

Ryton is unlikely to be utilising its full capacity of 120,000 cars a year unless export demand for both 306 models expands considerably. Last year some 26,000 of Ryton's total output was made up of exports.



Join an art movement in Madrid.

Recognize any faces in the crowd? A stroll around Madrid's galleries is always a social occasion. We call it the "Paseo del Arte". Start with the old masters at the Prado. Lunch nearby. Then proceed to the Reina Sofia, home to Picasso's "Guernica". Time for a little shopping, enroute to the Thyssen Bornemisza, one of the world's largest private collections. Finally, stop at a local bar to discuss life, and art.



GRANDES MUSEOS DE MADRID: PASEO DEL ARTE



Passion for life

MANAGEMENT

CHRISTOPHER LORENZ

Learning from inner experience



It is a truism, but one which managers forget all too easily, that companies have a lot in common with most species in the natural world. In order to survive, they must adapt to changes in the environment around them.

The analogy is limited in that companies have an ability, denied to all but a few species, to change their environment. Witness the impact of Apple, Intel and Microsoft on the computer industry, or Marks & Spencer, Ikea and Wal-Mart on retailing.

In order to adapt, a company needs to know what to change, and how. Hence the concept of "learning organisations" - a mantra whose popularity is matched only by the confusion that besets most companies over how to put it into practice.

Since most companies tend to be inward-looking, they are forever - and rightly - being advised to improve their learning from outside. Hence the current emphasis on benchmarking, on closer contact with customers and suppliers, and on more effective ways to connect technology with emerging consumer patterns and behaviour.

But the drive for better external learning is blinding companies to one of the most valuable sources of insight and added knowledge: their own experience. Few organisations make a serious attempt to analyse the lessons of their own recent successes and failures.

Powerful and detailed evidence of how this sort of learning can best be achieved, from the projects by which a company develops new products and processes, has been amassed in a study carried out by a team of US academics.

Drawn from Harvard, Stanford, Massachusetts Institute of Technology and Purdue University, the researchers worked closely with top executives in five leading US companies: Chaparral Steel, Digital Equipment, Eastman Kodak, Hewlett-Packard and the Ford Motor Company, examining 20 development projects. The companies succeeded in learning extensively from some of them, but

failed dismally in others.

In a lengthy, three-article report on the project in the latest Harvard Business Review* the academics argue that managers seldom realise that the learning to be gained from a development project is often more important to the company than the new product or process itself. By selecting projects carefully, a company can use them to develop new skills, knowledge and systems.

The reason why development projects are such a good source of learning is that they are, in a sense, a microcosm of the whole organisation, the academics argue. Since project teams are usually made up of people from many parts of the company, development projects test the strengths and weaknesses of its systems, structures and values.

The academics exemplify this by using contrasting examples from

Few organisations seriously attempt to analyse the lessons of their successes and failures

Ford in the late 1980s: the development of the compressor for an air conditioner from which all sorts of organisational lessons were learned and applied on other projects; and the almost simultaneous development in a different part of the company of the 1989 Thunderbird, where potential lessons were neither planned for nor learned.

Probably the most successful learner in the study was Chaparral Steel. A mini mill specialist founded 20 years ago which has become one of the largest US steel-makers, it is best known for its 1980s innovations in horizontal casting techniques.

At Chaparral, virtually everyone is involved continually in development or improvement projects. People work in a variety of functions. They may lead one team and then be members of another. But where Chaparral stands out from the other companies in the study is in the systematic way it selects projects and then applies learning

from one project to another.

Chaparral does several things that serve as a model for every company, say the academics. It requires every project to advance the company's capabilities, and plans combinations of them in a logical flow to ensure that they do so. After each project has been completed, Chaparral analyses it to find out what it achieved or failed to, and why.

Auditing of this kind is surprisingly rare, as the academics point out. Only a handful of companies have any kind of auditing system. Moreover, audits tend to be done merely to ensure that a project complies with formal procedures, rather than to analyse its positive and negative aspects so that the company can learn.

Of the 20 projects in the study, few were audited systematically. The work was sometimes done by reviewers reluctant to highlight problems for fear of embarrassing people and seeming unfair. As a result, a string of projects in the same company tended to suffer from the same mistakes.

In their keenness to transform the way managers think of development projects, the academics do not tackle in sufficient detail the equally challenging question of how to transfer learning not just from project to project, but also from individual business units to the whole organisation.

They also fail to warn against one of the pitfalls of their message: that, in a belated rush to understand the factors that determine the success or failure of individual projects, managers may forget that wider organisational influences - including strategic vision, shared values and reward systems - have an equally important impact on learning.

But the vast majority of companies have no need to worry about this problem as yet. They have not even started delving into the goldmine of their project experience.

*Regaining the lead in manufacturing. Three articles by H. Kent Bowen, Kim Clark, Charles Holliman, Dorothy Leonard Barton and Steven Wheelwright. Reprint nos. 94501-3. From HBR. Fax (US) 617-495-6983.

One issue which might have been on the table at this week's intensive bargaining between Railtrack and the RMT transport union - but isn't - is the introduction of annualised hours for signal workers.

After considerable debate, Railtrack management decided that such a proposal - which would define the amount of working time on the basis of work over 12 months, not each working week - is a step too far for the moment.

"There is a lack of understanding, many staff have difficulty grasping the concept," admits Paul Radley, Railtrack's employee relations manager.

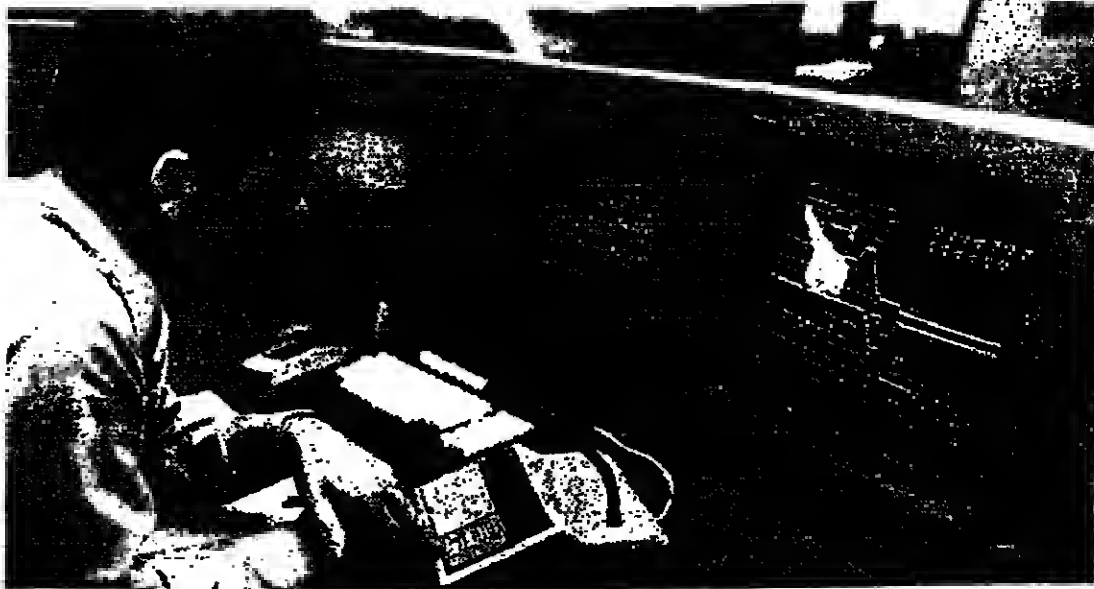
The long-term aim of the state-owned company which runs the UK's rail infrastructure is nevertheless clear: "It would give us enormous flexibility in matching employees' hours to service needs, eliminate excessive premium payments for overtime working and give us greater freedom in changing daily working time patterns," explains Radley.

His wish reflects a growing conviction among managers across British manufacturing and services that annualised hours are a more effective and profitable way of organising an employee's scheduled working time than the traditional weekly approach.

As Gregor Gull from Stirling University's management school explains: "In its simplest form annualised hours is based on the number of working weeks in the year multiplied by the number of working hours per week minus holidays." In most schemes, he points out, there are a number of rostered hours and unrostered hours that are banked to allow maximum flexibility.

The Department of Employment recently estimated that around 2m employees, 9 per cent of the UK workforce, are now covered by annualised hours. The largest proportion (15.8 per cent) are to be found in professional occupations with a high number in teaching. They are followed by plant and machine operatives (10.3 per cent) and craft and related occupations (9.0 per cent). The lowest incidence of annualised hours is among managers and administrators (6.6 per cent).

Companies which have introduced annualised hours to cover at least some of their employees in recent years include BP Chemicals (at its Grangemouth plant in 1993); British Airways; Findus Foods in Newcastle; Fisons Pharmaceuticals; Tesco Distribution; Valor Heating; Matsushita Electric; Hotpoint; Whitbread Beer; Scottish Power; Thames Water; Blue Circle Industries; Manchester Airport; and a number of national health trusts.



Annualised hours for signal workers remain an option for the future although 9 per cent of the UK workforce is already covered

Matter of years, not weeks

Employers have welcomed annualised hours because of the flexibility they allow, writes Robert Taylor

Companies operating annualised hours seem well satisfied by its results. Half the companies surveyed by the independent group Incomes Data Services last year, for example, welcomed the "flexibility" such schemes provide. Matching work to seasonal patterns of demand, reduced labour costs through elimination of overtime and lower absenteeism are among the advantages cited.

Earlier this year British Coal introduced annualised hours to cover just over 9,000 of its employees as part of a package designed to increase flexible working in the pits. Under its plan there is no actual change in the number of hours worked every year. Colliery managers decide the length and starting time of shifts "in accordance with the business needs" of each pit while attendance patterns are settled after consultation with the unions.

Kevan Hunt, British Coal's employee relations director, argues the new system allows managers and workers "the opportunity of working fewer shifts and to make more use of leisure time".

Imperial Chemical Industries brought in annualised hours as part of its 1991 staff agreement with the trade unions and an estimated 80 per cent of its 9,000 manual workers now have their working time structured in that way. "We have found it an efficient and cost-effective way of organising our workers," says Malcolm James, ICI's industrial relations manager. "Absenteeism has been halved since the arrival of annualised hours, while the savings made from abolishing overtime have been used to finance other changes in the company."

The trend, meanwhile, is not confined to manufacturing. Annualised hours contracts have been introduced at television companies such as ITN, Yorkshire and HTV. The Bristol and West Building Society has had a scheme for the past three years for its staff. A growing number of companies are using annualised hours as part of a wider restructuring exercise. Its introduction is often combined with team-working, performance-related pay and the harmonising of terms and conditions of employ-

ment between manual workers and white-collar staff.

So far the arrival of annualised hours has not aroused much resistance from employees, many of whom can see advantages. As Railtrack's Radley points out it ensures "much greater predictability of earnings" as it removes the uncertain fluctuations suffered by those paid on a weekly basis.

The use of annualised hours is more common in mainland Europe, particularly in Germany and France where it began to grow in the late 1970s. The concept developed in the UK in the mid-1980s.

Gull argues that schemes aimed at smoothing peaks and troughs in demand carry drawbacks for employees. "Annualised hours can lead to loss in earnings, restrictions on the choice of when to take holidays, reduced manning levels and inflexible shift rotas," he claims. Annualised hours, however, are here to stay. The development, which reflects the wider social revolution at work, is arguably the most significant in working time since the arrival of the five-day working week after the second world war.

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Ballast Nedam

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Receipts to raise NLG 31.3 million
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63,229,770 shares
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to raise U.S. \$202.3 million
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to raise U.S. \$125 million
International Offer
Lead Manager

Kleinwort Benson Securities

January 1994

TECHNOLOGY

The oceans may contain the ingredients to treat a variety of diseases, including cancer and arthritis, reports Victoria Griffith

Drugged by the deep blue sea

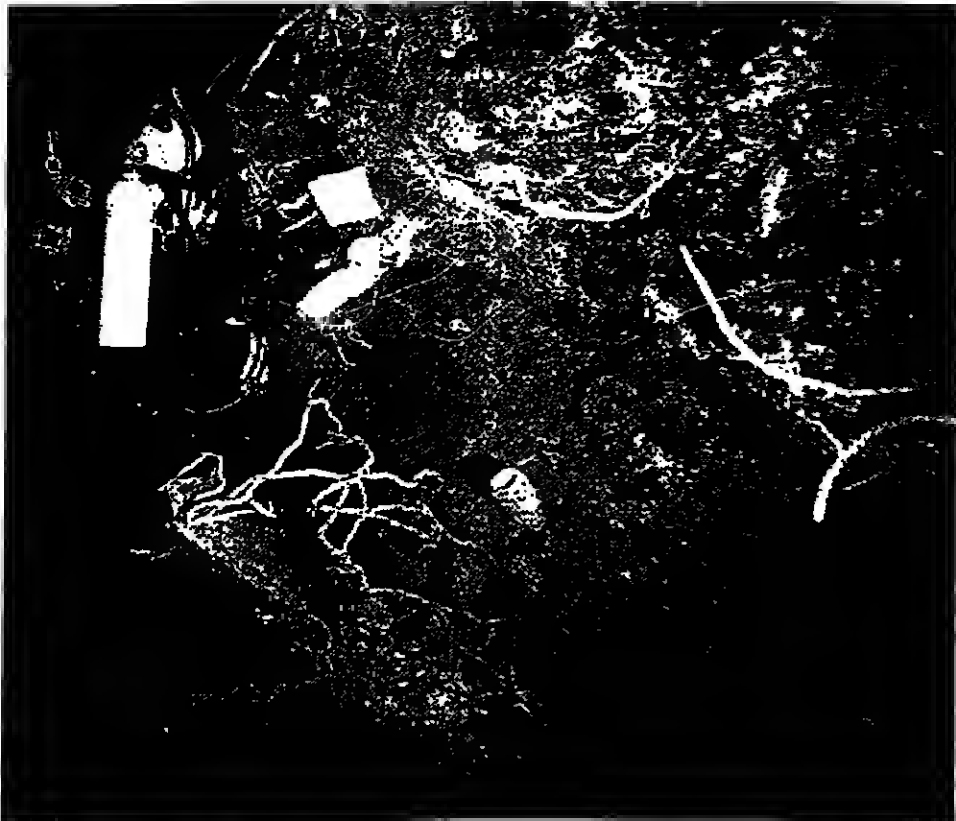
From the coral reefs of the Pacific ocean to the Antarctic, scuba divers are scraping barnacles from rocks, digging deposits from the sea bottom, bagging fish and algae and filling vials with seawater in the hope that their findings will one day yield an important drug.

Marine biotechnology is attracting the attention of companies in the US, Europe and Japan, many of which are searching the ocean for potential drugs. They include Lederle, a division of American Cyanamid; the biotechnology groups FMC and Martek; pharmaceutical groups Merck and SmithKline Beecham; and Japanese companies Nippon Steel and Mitsui.

The US government has set up a \$45m (£29m) programme for marine biotechnology research, and the Japanese government is also investing heavily.

Many scientists are convinced that remote regions may hold the secrets to treating dozens of diseases. Research in the world's rainforests in recent years, for example, has produced drugs such as the anti-tumor agents Vinblastine and Vincristine, both developed from the Madagascar periwinkle.

However, marine biotechnologists say the potential of the rain forests pales in comparison with that of the ocean. "It comes down to the numbers game, to accessing the greatest biodiversity possible," says Brad Carter, senior investigator in bio-molecular discovery for SmithKline Beecham. The oceans cover 71 per cent of the earth's surface and much of



Attracted by the sea's potential: Brad Carter of SmithKline Beecham collects invertebrates in the Bahamas

the life within them is still a mystery. To many scientists this offers the possibility of discovering more potentially life-saving drugs.

"The ocean is an untapped resource," says Henry Linsert, chief executive officer of Martek. "It is a rich source of organisms. Algae alone makes up a tremendous amount of the plant biomass on Earth." Results from marine biotech-

nology efforts have so far been mixed. Some of the most promising compounds, such as the anti-cancer agent didemnin B, and some anti-inflammatory agents have been dropped from research over the last few years. Yet marine biotechnologists say failures in marine compound screening, just as in terrestrial compound screening, are inevitable. In the long run, they believe, they are

bound to make some hits. This autumn, Martek hopes to launch a fatty acid, DHA, which it discovered in marine algae, on the European market. The product will be added to infant formula to make it more similar to human milk. With pollution and misuse threatening a number of ocean species, scientists say they are concerned about losing marine biodiversity, and with it, val-

uable compounds. This concern has lent their work a sense of urgency.

"The ocean has been used as a dumping ground for a long time," says Debra Steinhilber, group leader for the Marine Biotechnology effort at American Cyanamid. "Concern about pollution makes scientists feel that we should try to find out what is there before it is destroyed."

Marine biotechnology is still in its infancy. No leading drug has yet been launched. A handful are in clinical trials in the US, mainly cancer treatment hopefuls being studied by the National Cancer Institute, which in the 1970s became one of the first organisations to engage in marine biotechnology research.

Scientists say the small number of products in clinical trials merely reflects past lack of interest in the sea. With more companies now involved, marine biotechnologists believe the next two decades will see a number of products moving on to the market and many more entering clinical trials. Three likely disease targets are cancer, arthritis and other inflammatory illnesses, and diseases affecting the central nervous system.

It has taken this long for companies to gain an interest in the sea, marine biotechnologists say, because the modern pharmaceutical industry grew out of a long-term human interest in the curative qualities of plants.

"We live on land, and we've traditionally looked at terrestrial plants for cures," says Gerald Weissmann, a professor of medicine at the New York University Medical Centre.

"Most pharmaceutical companies don't have any direct contact with the sea. They are based inland; they don't own boats, and they don't usually have a lot of divers or marine scientists on their staff. That's why it has taken them so long to get interested in the ocean."

Pharmaceuticals also face practical barriers - it is only in recent decades that long-term, deep-sea exploration has become possible.

Scientists also had difficulty replicating marine compounds in the lab. "It is not that marine compounds are more difficult to synthesise," says William Fenical, professor of oceanography of Scripps Institution of Oceanography. "It is just that we haven't had as much practice in that area, and so we are not as good at it as

we are at synthesising terrestrial compounds."

Scientists are excited by the potential of marine life. Barnacles clinging to ocean rocks may yield a special glue that would resist salt and temperature changes and could play a role in surgical procedures such as joint replacement. Sponges, which fall apart so easily, could provide a clue to the prevention of cell binding and in turn lead to a treatment for inflammatory diseases such as arthritis.

Marine life can be used not only as a source of compounds, but also as a way of testing drugs. The male contraceptive gossypol, for instance, relied partly on studies in sea urchins for its development.

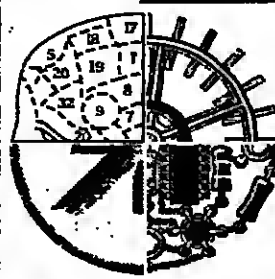
Yet just as scientists turned from macro-organisms, such as plants, to microbes, many believe the emphasis in marine biotechnology will eventually

be in microbes. "The state of the art is in microbes," says Fenical.

Ultimately, one of the main challenges facing the industry may be political, rather than technological. The legalities of marine drug discovery are still nebulous. If a company develops a cure for cancer based on a compound found only on certain coral reefs, for instance, the government concerned might demand royalties.

On the other hand, many companies see the ocean as a far less regulated source of compounds than terrestrial areas. "As sovereign issues become more important in land research, such as in rain forests, companies may turn more to the ocean," says Susan Clymer, managing director of the marine biotechnology group NichiBei Bio. "In international waters, it's still kind of a free-for-all."

Worth Watching · Vanessa Houlder



Caught in an ion trap

A new detection system to catch drug smugglers and terrorists is undergoing trials in the UK and US.

The ion trap mobility spectrometer works by heating samples to a high temperature. Once the relevant molecules are ionised, they are detected using a sensitive electronic collection and signal processing system.

The detector, which has been developed by AI Cambridge of the UK and Ion Track Instruments of Massachusetts detects explosives and narcotics between 10 and 100 times more sensitively than existing machines. The system is capable of getting a strong signal from one picogram (10⁻¹² gram) of explosives or narcotics. Field trials are expected to be completed in airports by the end of this year.

AI Cambridge, UK, tel 0223 834420; fax 0223 835050

Pest control for antiques

Pest-infested antiques and textiles are usually fumigated using poisonous solvents or gases. A less toxic treatment, which does not leave the item

in need of restoration, is being introduced into the UK by Thermo Lignum, a London-based company.

The process involves slowly heating the article up to a maximum of 55°C, which destroys the pests. The procedure takes a few hours for fabrics and eight to 20 hours for wooden objects.

Although the principle underlying the technique is simple, it needs sophisticated computerised controls of temperature and humidity to prevent the articles suffering structural damage.

Thermo Lignum, UK, tel 081 964 3364; fax 081 964 2363

Brain damage breakthrough

A drug that suppresses the immune system has been found to reduce brain damage associated with strokes. Researchers working at the Fujisawa Institute of Neuroscience at the University of Edinburgh found that the immunosuppressant drug FK506 substantially reduced brain damage if it was administered up to an hour after the stroke.

The research, which was reported in this week's Nature, may shed light on the role in brain cells of immunophilins, substances known to bind to FK506.

University of Edinburgh, UK, tel 031 650 1000; fax 031 650 9381

Driving off car thieves

Car theft has become a European epidemic, writes Andrew Fisher. In Germany,

one is stolen every four minutes. The theft of items from vehicles - particularly telephones and CD players - is also a cause of modern driving. Now, VDO Kienzle has produced a device to ward off both types of thief. Its VDO Combi Alarm 2000 security system incorporates contact-controlled monitoring of all doors and also monitors the interior with switchable nitrosonic sensors.

The system, which immobilises the car's fuel pump and ignition, is switched on and off by radio remote control. Its alarm can also be integrated with a central locking system. The Frankfurt company says the device activates itself automatically 18 minutes after the ignition is switched off or, via a door contact, 30 seconds after the driver leaves the vehicle. It costs DM320 (£380).

VDO Kienzle, Germany, 6196 872922; fax 6196 873444

Computer aid in drug screening

Researchers working in the fast-growing field of combinatorial chemistry aim to make a wide variety of compounds simultaneously, which are then screened to find useful characteristics.

The first set of computer tools to assist in this process have been devised by Tripos, a US scientific software company. Tripos's Mass Screen software will assist researchers to generate vast "libraries" of compounds and manipulate the data as they search for new leads in drug development.

Tripos, US, tel 314 647 1099; fax 314 647 9341

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KINGDOM OF SAUDI ARABIA

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1995 prize, worth not less than £3,000, is:
DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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ARTS GUIDE

Berlin tunes in to Goldschmidt

The 91-year-old composer's work is being recognised at last, reports Andrew Clark

Germany has finally made its peace with Berthold Goldschmidt. Forced to flee the Nazis in 1935 for London, where he has lived ever since, the 91-year-old composer has been the toast of this year's Berlin Festival.

Both his operas have been performed — *Der gewaltige Hahnrei* in a slick, hyper-active Harry Kupfer staging at the Komische Oper (which put on a special Goldschmidt exhibition), and *Beatrice Cenci* in a concert version linked to a commercial recording. The nearby city of Magdeburg organised a parallel set of events, including the stage premiere of *Beatrice Cenci*. Goldschmidt's three concertos and other symphonic works have also been played.

The response from the German press, public and music establishment has been ecstatic. There have been full houses, standing ovations and a touching ceremony at which Goldschmidt was presented with some early manuscripts, previously thought to be lost. The warmth of his reception can be put down partly to genuine delight at such performable music, and to the sight of a nonagenarian enjoying every minute.

Goldschmidt's time has come, and he deserves a medal for surviving to witness it. For many Germans, he is a living link with a golden age in their country's musical history, a symbol of what might have been if Nazism had not intervened so decisively. But the Goldschmidt revival is also a mark of collective guilt — a chance to atone for all Jewish artists whose creative spark was extinguished in the gas chambers. Would Goldschmidt's music have survived if he too had died? Would there be the same interest today if it had been played 60 times in the 1930s?

But that is playing with history. To hear staged performances of his two operas in quick succession last week-

end was to be confronted by a composer who takes care over word-settings and chooses juicy topics for the theatre. The music itself may not blaze with originality or natural drama, but it is well-made and easily assimilated. The two operas deserved to be heard, and the evidence suggests they would repay further investigation.

Der gewaltige Hahnrei (The Mighty Cockle), first staged in Mannheim in 1932, was the last opera by a Jewish composer to be premiered before the Nazis came to power. Along with hundreds of others, Goldschmidt's music was quickly categorised as "degenerate". By the end of the war, the trends

strating her love for him by obeying. He ends up disguising himself and seducing her.

Here is a kinky story — but psychologically fascinating, full of sexual neurosis and very much a product of its time. Goldschmidt's score is equally a period piece. He comes across as a German Poulenc or Ibert — a master of pastiche and a brilliant orchestrator, with lots of expert doodling. There are echoes of his teacher Schreker, of Weill, Krenek, Shostakovich, Mahler, jazz, cabaret. Over a 100-minute span, you just sit back and watch the styles change. The drama itself goes nowhere. The Komische Oper's production did

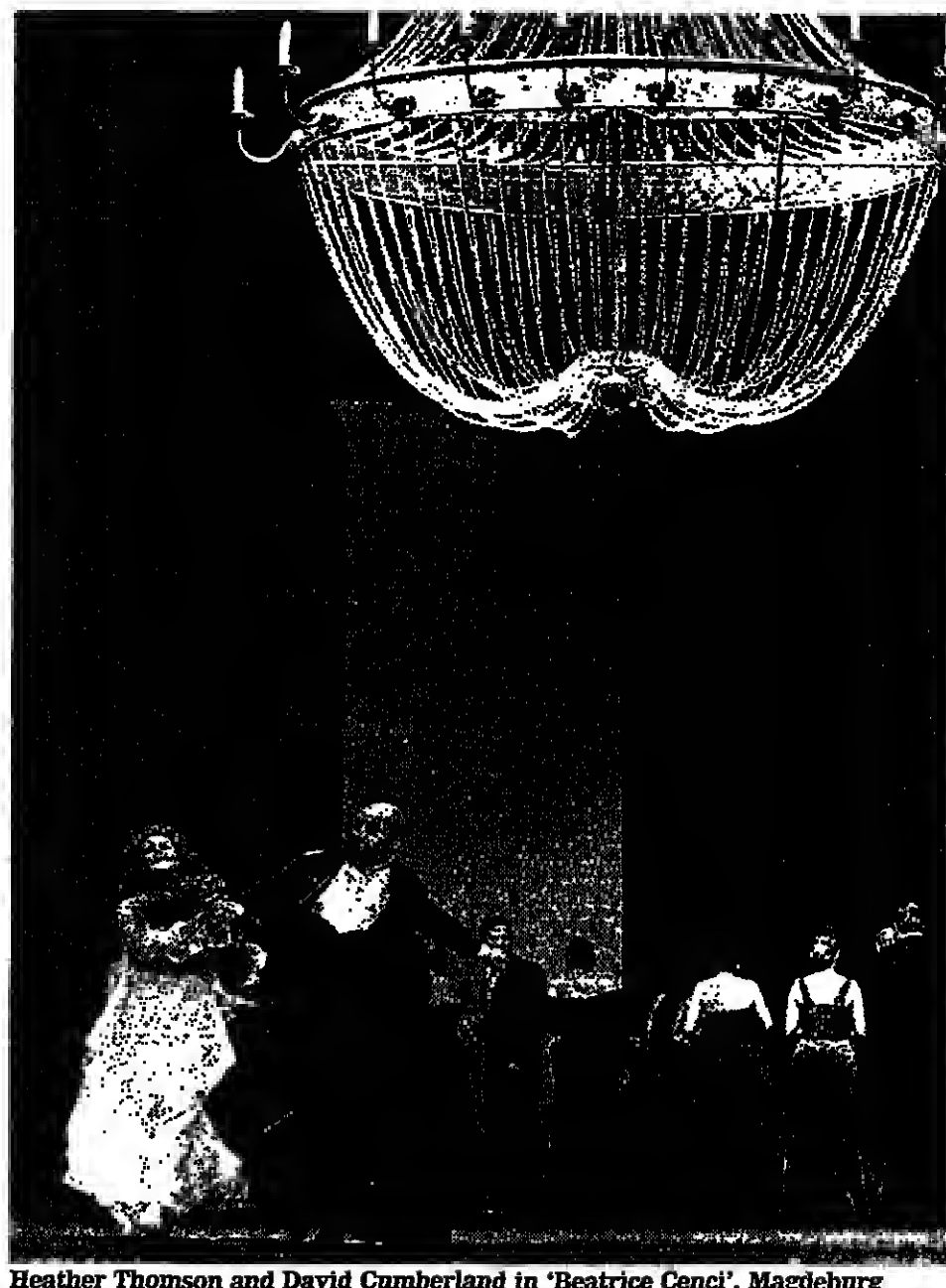
headed by Yvonne Wiedstruck, who captured Stella's innocent beauty, and Günter Neumann's tormented Bruno.

Hearing *Beatrice Cenci* 24 hours later in Magdeburg was to discover a composer who had found his own style — an amalgam of incisive themes and Busoni-like counterpoint. Commissioned for the 1951 Festival of Britain, but unperformed for various unsavoury reasons until a 1988 concert in London, *Cenci* gives compact operatic form to Shelley's sordid tale of the Italian Renaissance. As in *Hahnrei*, the theme is sexual violence and the exploitation of women, but in more sinister vein. Unlike *Hahnrei*, it benefited immeasurably from the stage setting.

The Magdeburg production was given at the Theater am Jerichowplatz, a converted cinema at the former Russian barracks. Despite an unhelpful acoustic and crude lighting, Max Hoffmann's staging told the story clearly and honestly, leaving plenty of room for the imagination. Eberhard Matthies's realistic set combined simplicity and grandeur, while Renate Schmitzer's costumes had a 20th century flavour, without being too specific.

The cast, singing in the original English, was headed by the Canadian soprano Heather Thomson as Beatrice. She acted sensitively and brought character to Goldschmidt's unvarying vocal modulations — not least in the beautiful Act 3 lullaby. Irena Sylva was the sympathetic Lucresia, and David Cumberland made a properly tyrannical Count Cenci. Under Matthias Husmann, the rest of the cast, chorus and orchestra gave fulsome support.

The concert performance of *Cenci* in Berlin (which I heard on the radio), featuring Roberta Alexander, Della Jones and a coarse-sounding Simon Estes, may have had greater vocal polish, but Magdeburg gave the opera theatrical life. It is now time for a British company to follow suit.



Heather Thomson and David Cumberland in 'Beatrice Cenci', Magdeburg

For many Germans, he is a living link with a golden age of music, a symbol of what might have been if Nazism had not intervened

of the 1920s and early 1930s had sunk without trace, buried in the rubble of the Third Reich. It was time for a fresh start. Serialism was the new orthodoxy, and anyone who did not subscribe to it was old hat. Like thousands of other German Jews who escaped, Goldschmidt had to pick up the pieces of his career elsewhere — becoming a British citizen in 1947 and, as a conductor, playing an important role in the British Mahler vogue. *Hahnrei* had to wait 62 years until this month's revival, borne along on the recent surge of interest in Germany's "lost" interwar era.

It is a precocious work for a 28-year-old. Based on a play by the contemporary Belgian dramatist Fernand Crommelynck, and subtitled a "musical tragedy-comedy", it tells of the man who believes in his wife's love but cannot trust her. Bruno is so convinced that Stella is unfaithful that he forces her to do what he fears most — to take other men to bed. She believes she is demon-

nothing to counter that impression. Kupfer, with his designers Hans Schaveroch and Reinhard Heinrich, underlined the work's surrealist fantasy, keeping the visual framework as abstract as possible. The set — an undulating pink cat-walk loomed round a stylised sea-saw and climbing rack fell somewhere between wedding-cake and playground. Costumes and make-up were pure pantomime. The air was thick with irony, but anyone ignorant of the plot would have been lost. The more Kupfer spun the stage turntable, the more tedious the performance became. An earthier, less artful approach would have done the work greater service — so it is good to hear another staging is planned for Bern.

In every other respect, this was a strong ensemble performance. Under Yakov Kreizberg, the Komische Oper's new music director, the orchestra negotiated the different styles and rhythms with commanding verve. The cast was

Theatre/Paul Driver

The Mortal Ash

Richard Cameron's new play at the Bush Theatre — his third to be premiered there — is a dialect drama about life on a council estate in South Yorkshire and hence, by all too ready extension, about the state of Britain, the deplorable effects of unemployment. Actually the private and public themes of *The Mortal Ash* tend to pull apart, just as its tragic and comic impulses often seem at odds. Billed as a comedy, the play impresses first as a melodrama in which a working-class family confront calamity from every corner but keep cracking jokes in the best down-to-earth, hard-bitten, North of England manner.

Feuds, vendettas, boogalooism, estrangement of father (Tom) and eldest son (Chris), imprisonment of another son for GBH, unruliness of a third (Duane), cynical disaffection of daughter (Rainy) — these are just some of the Wheatley family problems. The rivalry in their back yard has been smothered up as the play begins, and a brick been hurled through the window while

Rainy (Jane Hazlegrove) was wetting telly. Throughout the evening one expects further buried bricks and calamities; but all we actually see of trouble are the bare legs and torso of Duane (James Hogg) covered with nettles stings and Caroline after a gang-fight on Mortal Ash.

Mortal Ash is an area of ponds that has been unpopulated filled in by a tough local businessman, and by hard-up Tom Wheatley as one of his labourers. A young girl died during a protest there, which leaves Tom conscience-stricken in ways he can barely express and which baffle and alienate the principled Chris, who has left home to live impudently with his now pregnant girlfriend, Linda (Colleen Prendergast), scion of an enemy family. Much, therefore, has to be sorted out during the play, but there is always someone on hand to make tea when things get too difficult in the best Northern tradition.

Scrambling fits — Mr Wheatley is particularly prone to them — and one-liners jostle each other in a way that is truer to the theatre

than life. Each act devolves into a long set-piece in which mother and father respectively disburden themselves, conceding with wry humour in the one case, and bitter anguish in the other, that parents do not know much more than their children about the way things are. One realises that the intended thrust of the play is not so much comical, tragic or political as lyrical-pastoral. There is much talk of fishing and birds. At the end, Tom sets out to reconstruct his garden, building a pond and planting an ash.

Director Simon Usber finds a leisurely pace for the action which seems mostly right and at times even poetical. Paul Copley is crisply convincing as the neo-Lavrentian muck-stained father home from work and delivering epiphanies like "Thy either will or thy won't" when asked if Chris and Linda will cope with their child. Richard Standing makes a sympathetic Chris and Jane Cox is robustly entertaining as his soft-hard, wise-cracking mother.

Bush Theatre, W12 (081 743 3388)

Music in London/David Murray

Mahler and Henze

On Wednesday the London Symphony not only began its cycle of Mahler symphonies with Michael Tilson Thomas — half this autumn, the rest in the new year — but showed off the newly improved acoustics of the Barbican Hall. Mahler's First made a very good test. On all counts, the performance was resoundingly impressive.

After the ball opened in 1982, there was some anxious tinkering with things that affected the acoustic, and since then it has been pretty good: forward and full, though in orchestral tutti there was sometimes a hard glare of upper partials. Last month new absorbent surfaces were attached at strategic places along the walls of the circle and stalls, and the balconies got handsome wooden fronts. The result is an inconspicuous but decisive improvement in the sound: no glare, but no muffling either, and — with the LSO — at least — lovely clarity and balance.

The most striking virtue of Tilson Thomas's Mahler I, which is a work studded with hazardous turns and abrupt switches, was that it sounded seamless. One was lost in admiration; that effect is not to be achieved by mere suavity or steadiness, but only by thinking the music all the way through. That was manifestly what Tilson Thomas was doing, and transmitting his intentions completely to the orchestra. There were dozens of gorgeously realised passages (without indulgence, though the *Kraben Wanderhorn* tunes were illuminated with the utmost tenderness), and an overriding arc of clean purpose, with a grandly built triumph at the end.

Perhaps a little of the First's sheer wildness was tamed away. For Mahler, this was a defiantly fractured symphony, to Tilson Thomas it seems a finished monument, and its innovations of village band dances were tamed smoothly into place — there was no snarl from the elegant woodwinds. But it was a hugely musically reading, and superbly played; it promised great things in the symphonies to come.

It was prefaced by James MacMillan's new ten-minute fantasy *Brianna*, characteristically ingenious and funny (it caught the audience slightly off guard, I thought), and Tilson Thomas's own *From the Diary of Anne Frank* — bonest, effective film-music, with narration gently delivered by Debra Winger.

On the previous night, the Nash Ensemble honoured the composer Hans Werner Henze with a Wigmore programme of his recent chamber music. It is always nice to know what he has been up to, but there were no substantial surprises. A tiny "Adagio adagio" for piano trio was exquisite salon pastiche; five Nocturnes for violin were fragile, pretty and suggestive; three short songs about snow boasted a delectable accompanying ensemble. Much of the new Piano Quintet is interestingly angry, and the rest of it haunted and inward. I fancy it wants a bolder performance than the Nash players gave it this time, though they were scrupulous. The songs and dances from Henze's operetta *La Cabaña*, newly arranged, still sound too close to, despite an appealing, Zerbinetta-ish final number.



Paul Copley as the father, Tom

Abstract Mair

Successful artist David (Ian Gelder) is suffering from painter's block. His friends, Shannon (Jude Akuwudike), desperate for a sex change operation before he dies of Aids, and Kryla (Elaine Collins, excellent), a sardonic hackette equally desperately seeking The Man, know exactly what he needs: a new boyfriend. They are less than enchanted when he picks up Matt (Christopher Simon), the naive young restaurateur who just happens to be happily married to the devoted Violet (Kathryn Howden).

Poor Superman — a Play with Captions

Super bot Canadian playwright Brad Fraser takes the well worn theme of tainted love in *Poor Superman* — a Play with Captions, but embroiders it into a compelling insight into the power of sex over the lives of gay men. In director Ian Brown's sharp and discrete production, which started life at the Traverse, Edinburgh (where it was well received on this page by Martin Hoyle), Fraser surely has another award to add to his mantelpiece.

The only question marks bang over the title. The Superman leitmotif never justifies itself, and the captions, which light up in neon at the back of the stage to beam the real thoughts of the characters behind their polite, and not so polite, conversation, are hardly needed in such punchy dialogue.

The lives of gays and young entrepreneurs in Calgary, Canada, are not the traditional stuff of drama but from the first you care

desperately about Matt, with his faltering cry of "I'm not queer" as he falls into the arms of David; and Violet, whose horizons are happily confined to stove and nappies; indeed all the credulous victims hanging round David, who may be an ageing character but proves an ill equipped Superman.

Fraser's great achievement is that he does not take sides: David is quite prepared to exploit people in the cause of art: it is up to the

audience to decide who are the winners and who the losers. Fraser has also dusted down some sharp Wildean aphorisms to set alongside the easy lies of normal talk.

Almost incidentally *Poor Superman* contains some of the most explicit sexual acts seen on the London stage. The fact that they perfectly underpin the action and develop the characters is a triumph for cast and director.

Antony Thornecroft

Hampstead Theatre (071 722 9301)

INTERNATIONAL ARTS GUIDE

Poussin in Paris

The main autumn exhibition in Paris is devoted to Poussin, marking the 400th anniversary of his birth. It can be seen at the Grand Palais from October 1 to January 2, and will then move to the Royal Academy of Arts in London. This is the first Poussin retrospective in Paris for 30 years. Comprising 140 drawings and 100 paintings, it follows a chronological pattern — starting with a group of youthful drawings and his apprenticeship in Rome, where the lucid composition and cool colour of his patron Domenichino affected him strongly. Apart from a brief and unhappy interlude in Paris in the early 1640s, Poussin spent most of the rest of his life in Rome, dying there in 1665.

The two sets of Seven Sacraments are the exhibition's centrepiece. The first was completed in 1642. Today it comprises only six paintings: Baptism has been lent by the

National Gallery in Washington, and the other five come from the Duke of Rutland's Collection. The exhibition will include a copy of Confession, the original of which no longer exists. The second set, which Poussin painted between 1644 and 1649 for his Parisian patron Chantelou, comes from the National Gallery of Scotland, which has it on loan from the Duke of Sutherland. The show brings together some of Poussin's finest paintings on classical and biblical themes, including *The Judgement of Solomon* and *The Triumph of Flora* from the Louvre, and *The Annunciation* and *The Adoration of the Shepherds* from the National Gallery in London. Others come from public collections in New York, Chicago, St Petersburg and Berlin. Museums in Chantilly and Bayonne were unable to lend their pictures for legal reasons, so they are holding concurrent Poussin exhibitions of their own.

EXHIBITIONS

AMSTERDAM Rijksmuseum The Renaissance Print 1470-1500. Ends Oct 30. Closed Mon. Van Gogh Museum Van Gogh's Self-Portraits. Ends Oct 9. Daily. **BASEL** Kunstmuseum Farnand Léger (1881-1955): more than 100 exhibits focusing on the key creative period from 1911 to 1924. Ends Nov 27. Closed Mon. **BERLIN** Brücke Museum Early Kandinsky: a survey of a little-known period in

the German Expressionist's development, before he made his first abstract painting in 1910 at the age of 44. Kandinsky's early work is revealed as full of diverse influences, from Biedermeier to the Fauves. Ends Nov 27. Closed Tues. Kunstgewerbemuseum Gianni Versace: retrospective of the Italian fashion designer, including sketches and theatre costumes. Ends Nov 25. Closed Mon. **FLORENCE** Museo Pecci The Last Dreams of Joan Miró: some lesser-known late works lent by the Pilar Foundation, which was set up by Miró in 1981, two years before his death. Ends Oct 30. Daily. **FRANKFURT** Schirn Kunsthalle Nicholas de Stael (1914-55): retrospective of the Russian-born artist, documenting his intense but brief career. Ends Nov 27. Daily. **HAMBURG** Deichtorhallen The Century of the Multiple: a history of multiple art editions in three-dimensional form, ranging from early replicas of objects by Duchamp and Man Ray, to present-day mass reproductions. Ends Oct 30. Keith Haring (1958-90): 100 large-scale paintings and ceramics by the politically-motivated American artist. Ends Nov 13. Closed Mon. **HONG KONG** The Hong Kong Museum of Art: drawings from 1954 till the present. Ends Oct 10. Closed Mon. **LONDON** Royal Academy of Arts The Glory of Venice: an important exhibition including work by Tiepolo, Piazzetta, Canaletto, Bellotto, Guardi, Canova and Piranesi. Ends Dec 14. The Belgian Avant-Garde

1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200). British Museum Greek Gold — Jewellery of the Classical World. Ends Oct 23. Daily. Courtauld Institute Conrad Ferdinand (1897-1977): the first exhibition in the UK to explore the graphic work of the leading second-generation German Expressionist. Ends Oct 30. Daily. Tate Gallery Turner's Holland. Ends Oct 9. William Blake — Art and Revolution: an exhibition focusing on the English artist's output in the 1790s. Ends Oct 16. Daily. Heinz Gallery Charles Rennie Mackintosh — The Chelsea Years 1915-23. Ends Oct 29 (Royal Institute of British Architects). **MADRID** Fundació la Caixa Kandinsky and Mondrian — Two Roads Toward Abstraction: this exhibition, covering the years 1911-20, aims to illustrate the parallels and differences in the stylistic evolution of two great pioneers of modern art. Ends Nov 13 (after which it will transfer to Barcelona). Closed Mon. Fundación Juan March Treasures of Japanese Art: 110 works from the 17th to 19th century, on loan from Tokyo's Fuji Art Museum. Ends Jan 22. Daily. **MUNICH** Kunstheile der Hypo-Kulturstiftung Edvard Munch: 100 paintings by Munch, mainly from Norwegian museums, plus a selection of work by late 19th-century German artists who influenced him. Members of the Brücke are also represented. Opens today, till Nov 27. Daily. Lenbachhaus Jon Groom (b.1953): 25 paintings by the avant-garde

Welsh artist. Ends Oct 16. Closed Mon. Villa Stuck Dream Time — Tjukumpas: more than 40 works by contemporary Aboriginal artists from the Australian desert. Ends Oct 16. Closed Mon. **NEW YORK** Museum of Modern Art Cy Twombly (b.1929): 45 paintings, the same number of works on paper and a representative range of sculpture, documenting the career of the American artist who moved to Italy in 1957. The exhibition includes little-known early works and several key pieces from European private collections, never previously seen in the US. Ends Jan 10. The Prints of Louise Bourgeois: 140 works by one of America's most distinguished contemporary artists, who has donated her entire printed oeuvre to this museum. Ends Jan 3. Closed Wed. Metropolitan Museum of Art The Annenber Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. Pharaoh's Gifts — Stone Vessels from Ancient Egypt. Ends Jan 29. Closed Mon. Guggenheim Museum Japanese Art After 1945 (at the SoHo site). Ends Jan 8. The main museum is closed on Thurs, the SoHo site on Tues. Whitney Museum of American Art Joseph Stella (1877-1946): more than 200 works by the American modernist. Ends Oct 9. Jess — A Grand Collage 1951-93: first important retrospective of the reclusive Californian artist (b.1923), whose diverse body of fantastic, dream-like paintings and collages has received little public exposure.

Dec 4. American Landscapes by Neil Jenney. Ends Dec 11. Closed Mon. **PARIS** Grand Palais Gustave Caillebotte (1848-1894): a retrospective of 89 oils and 28 drawings marking the 100th anniversary of the death of the painter and patron of art, who belonged to the circle of Impressionists more by the actual Impressionist technique of painting. The show includes his masterpiece, *Paris Street (1877)*, on loan from Chicago. Ends Jan 9. Closed Tues, late opening Wed. Louvre From Across the Channel — British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner, plus other drawings, watercolours and engravings. Together they add up to a panorama of British art. Ends Dec 19. Closed Tues (Hall Napoleon). Musée Carnavalet The English in Paris in the 19th Century. Ends Dec 5. Closed Mon (23 rue de Sévigné). Centre Georges Pompidou Joseph Bays: retrospective of one of Germany's leading avant-garde artists of the postwar period. Ends Oct 3. Closed Tues. **ROME** Palazzo delle Esposizioni Louisa Newson: 77 "large originals" by the American sculptress who died in 1988. Ends Oct 31. Philipp Hackert (1737-1807): Italian landscapes. Ends Sep 30. Closed Mon. Villa Medici Paintings, sculpture and photographs by four of last year's artists in residence at the French Academy in Rome. Ends

Oct 2. Daily. **ROTTERDAM** Museum Boijmans-van Beuningen Albrecht Dürer (1471-1529): retrospective of the Renaissance-born artist who was a member of Kandinsky's circle in Munich. The exhibition features privately-owned works, as well as pieces from the substantial public collection at Wiesbaden where the artist spent the last 20 years of his life. Ends Nov 27. Closed Mon. **TURIN** Galleria Civica d'Arte Moderna A Celebration of Art Nouveau: the show takes the form of a re-evocation of an exhibition held in Turin in 1902, entitled *International Decorative Arts of the New Century*. Included is a section on photography and contributions from museums of decorative art from most of Europe (especially the east), as well as from the Metropolitan in New York and the Getty Museum in Malibu. Ends Jan 22. Closed Mon. **VEVÉ** Musée Jenisch Oskar Kokoschka: paintings, watercolours and drawings from the Austrian Expressionist's house in Villeneuve. Ends Oct 18. **VIENNA** Kunsthistorisches Museum Tintoretto portraits. Ends Oct 30. Albrecht Dürer: a selection from the museum's collection of work by the early 16th-century German master. Ends Oct 30. Closed Mon. Kunsthofmuseum Herbert Boeckl: centenary retrospective of the Austrian Expressionist, with a representative selection of landscapes, figures and religious subjects. Ends Dec 4. Daily.

THE FT INTERVIEW: Giorgio Armani



Giorgio Armani, the fashion designer, remains calm, but Giorgio Armani, the entrepreneur, is shaken. Admittedly it has been a bad week for Italian fashion. On Monday, the close-knit Milan community learned that bad-boy designer Franco Moschino had died at the weekend, aged only 44. Then it emerged that an inquiry into bribes paid to Italy's tax police had spread to the fashion world. Big names, such as Santo Versace, brother of designer Gianni and chairman of the Versace group, and Krizia (designer Mariuccia Mandelli), have already been questioned by Mr Antonio Di Pietro, Italy's best-known investigating magistrate - although the interviews were described as routine.

Mr Armani is more worried, however, about the problems of Simint, a Modena-based clothing company in which he holds a 25.5 per cent stake. On Saturday, the company reported a loss of £222bn (£90m) for the year to April 30 on turnover of just £268bn. A boardroom row about how to restate previous accounts to reflect previously hidden losses ended in the resignation of Mr Massimo Varazzani, Simint's chairman since March.

For Mr Armani, the man who pioneered loose suits, it has come as an unpleasant surprise to find his name associated, albeit indirectly, with allegations of loose accounting.

His business reputation and his carefully tended image have both been dented, and the Simint affair has cast a shadow over celebrations of his 60th birthday and 20 years in business. But it could also represent the next phase in the maturing of Armani the entrepreneur, which began when his partner and best friend, Mr Sergio Galeotti, died 10 years ago.

"I've lived through some pretty critical moments recently," says Mr Armani. "I found myself faced with problems I'd never come across - problems with lawyers, newspaper articles which say things about you which aren't true. That shocked me."

Simint's problems began in late 1992, a year after its US subsidiary launched a new concept called A/X Armani



Giorgio Armani: "I've lived through some critical moments"

Deals fall out of fashion

Exchange. The stores were aimed at the mass market, unlike the existing Giorgio Armani boutiques and second-line Emporio Armani stores, and were supposed to sell Armani jeans and other casual clothes, manufactured by Simint, from top locations across the US.

Simint was not the first example of Mr Armani putting his money where his designs were. He also has a stake in Luxottica, the successful Italian spectacle manufacturer quoted in the US. But in the case of Simint, Mr Armani appeared to relax his famously strict control over any venture connected with his name.

"A/X was born with a very precise concept of salespoints for A/X products and Armani jeans, but locations were very badly evaluated," the designer now says.

"The personnel structure was also very heavy, with too many people - exaggerated for the type of work we were trying to do."

Simint's investment costs in the US bore down on the group's profits, and last February Mr Francesco Micheli, the Milan financier who took control of Simint in the late 1990s, sold his 22 per cent stake, claiming that the US venture had become too risky.

Mr Armani now says he regrets the investment, and points to Simint as an object lesson in what can go wrong if you fail to keep control of a concept. "It's the first time this has happened to me. I delegated a lot because I heard people talking with great fluency and competence about the problem and I said, well, OK, they know what's what, I'll use them."

He is cagey about allocating blame for the Simint debacle, but feels a responsibility to do as much as possible to keep the company afloat. Armani business now accounts for 90 per cent of Simint's turnover, following the loss of other licences. The designer has allowed Simint to defer £50bn worth of payments due to Armani and committed many of his own staff to help rescue the company.

Simint's survival also hinges on the outcome of negotiations to sell the US subsidiary to Mr Ong Beng Seng, another shareholder, for £20bn, which Mr Armani says should be concluded shortly.

None of this means the designer is himself short of cash. Giorgio Armani SpA, founded with Mr Galeotti in 1975, is in the best of health in spite of the international recession.

Armani clothing and accessories, from scent to suitcases, turned over £1,130bn last year, up 31 per cent on 1992. Armani style ("fashion which helps people live better, not fashion which is done for the mass media, for the *petits bourgeois*, to shock") seems to have become a staple part of the wardrobes of the well-off.

That said, it seems unlikely that he would now be described - as Forbes magazine did in 1991 on the eve of the A/X launch - as "one of the sharpest businessmen you are ever likely to meet", without at least some qualification.

The Simint affair has instilled a once-hiten-twice-shy caution into the designer. For example, he is co-operating with CVC Capital Partners - the European venture capital arm of Citicorp - on undefined plans to rescue GFT, another troubled Italian supplier of Armani clothes, and prop up Simint. But Mr Armani insists that his group would be an industrial partner and not a shareholder in GFT.

"If you asked me now whether I wanted to take a shareholding in any type of company, I would say no," Mr Armani says.

The episode has also reinforced Mr Armani's wish to exert absolute control over a fashion empire. "It's obviously been illuminating for me," he says. "In our business, you absolutely cannot delegate to anyone, unless you decide simply to exploit your name, take a lot of money and forget about it; that means, however, not lasting long, not having a future and deciding to wrap things up. I'm still very young to want to wrap things up."

Such an attitude raises the inevitable question about what will happen to the designer's business creation "after" Mr Armani, an issue which he admits he is only just beginning to consider in any detail. "I'm not so egotistical to think we have to close the business down just because I close my eyes," he said this week.

But the lesson of Simint, his "first professional problem," seems to be that there will have to be some very careful planning if Giorgio Armani SpA is successfully to outlive its founder.

Andrew Hill

Joe Rogaly Breakaway Britain



The question was not go away. If Ulster is to be granted self-determination, why not Scotland? Why not Wales? Even the most recalcitrant Conservative, afraid of rationality, fearful of any dilution of the mythical powers of a long-dissevered empire, must grant that there is some anomaly here. There is an explanation, of course. Northern Ireland has been the subject of terrorist violence for 25 years, while Scotland has not. As an excuse, that awful observation is insufficient. It does not answer to the Scottish nationalists, whose 60th birthday is being celebrated at their annual convention this week. The secessionist party is riding high in the polls, its faith in the democratic process not to be doubted. The inference is unavoidable. A settlement in Ulster may be a long way off, but pulling at the Irish thread could unravel the British polity.

Wait. Flash back. There on the videotape is Mr John Major, standing on his soapbox. It is April 5 1992, the Sunday before election day. The prime minister, fighting a campaign most people reckon he is about to lose, warns against proposals for a Scottish parliament, or, worse in his eyes, Scottish independence. "If I could summon up all the authority of the office I now hold, through the ages, I would put it into this single warning," he declaims. "The United Kingdom is in danger. Wake up now before it is too late."

We will never know how many minds were changed by that uncharacteristically passionate moment of oratory. Perhaps millions, perhaps none. Mr Major himself is in little doubt that his Sunday speech, regarded at the time as

quixotic, helped the Conservatives win their fourth consecutive spell of office. His views will certainly not have been unpopular in middle England. "Consider the outcome - the walls of this United Kingdom that appear so strong, undermined from within," he said. He urged voters to shy away from proportional representation, at that time proffered by the Liberal Democrats alone. In European affairs Conservatives would "speak for Britain" while Labour and the Lib-Dems would "act for Brussels".

Now flash forwards on your virtual reality screen. It is spring 1996 or 1997. There is Mr Major again, in mid-campaign, looking more mature, more filled-out than previously. The central issue is, as always, whether the existing set of rascals is to be trusted with management of the economy, or whether the rival gang is to be given a chance. Yet there is chatter on the periphery. Senior politicians are arguing about the future shape of the European Union, and Britain's role in continental politics. Ulster has its own parliament, in session or on the way. We can imagine what the Scottish nationalists say about that. Labour and the Lib-Dems, their campaign literature stuffed with talk of national renewal, have undertaken to renovate the constitution. High-flown talk of a 21st century settlement between the peoples and governments of these islands has become commonplace.

Up springs Mr Major, onto the box. The prime minister recalls his words of four or five years previously. "Quebec," he says, "Slovakia," he adds, "and Serbia, Croatia, unspeakable pieces of old Russia and what about Spain?" He speaks of the historic glories of the United Kingdom, the distinctiveness of the island nation, the enduring values enshrined in the most ancient of parliaments, the true freedom of those fortunate enough to be born British. He dresses from head to toe in the Union Jack. That, as they say in New York, could go down like chopped liver.

Or perhaps not. The debate has yet to begin. The mainstream opposition parties both promise systemic reform. Labour and the Lib-Dems would give Scotland its parliament, bar hereditary peers from the House of Lords, create regional authorities in England and perhaps an assembly in Wales, enact a bill of rights, and introduce proportional representation for elections to bodies other than the House of Commons. The latter is to be decided by referendum. No one is surprised that Mr Paddy Ashdown, the Lib-Dem leader who has had an unfortunate week at his party's conference, favours such a programme. What now needs to be established is the strength of commitment of Labour's new leader, Mr Tony Blair.

He must either campaign strongly on the reform theme, or quietly bury it. The latter would be difficult. One argument for devolution was set out by Mr George Robertson, Labour's shadow Scottish secretary, in a speech in Frankfurt earlier this month. It is that some give, some flexibility, and a great deal of decentralisation of power would prevent a break-up of the United

Kingdom. "Today's British government plays into the nationalist hand by a staggering lack of vision in adapting constitutionally as it has done over 150 years," he said.

There is, however, another case to put. Britain has not been well-served by the concentration of power at the centre. Since 1979 the Conservatives have behaved with the arrogance of the single party in a one-party state. They have weakened or overturned one democratic institution after another. They have neutered local government. They have appointed friends and cronies to sit on school boards, hospital managements, and at every station on the network of quangos. The Treasury controls these unelected bodies by exercising authority over their expenditure. Meanwhile Ulster, Scotland and Wales, not to mention Lib-Dem Cornwall and Devon, boast their own traditions separate from those of England. Across the water, Europe is being reshaped. It is time to modernise the way Britain is governed.

Mr Blair has shown himself to be aware of the strength of this argument, and conscious of the appeal it has in some quarters, not confined to Charter 88, the energetic pressure group. Reform was consistently cheered by the Lib-Dems this week. The Labour leader will be spared the embarrassment of negotiating a post-election arrangement with Mr Ashdown if he can steal enough of the latter's votes away. It is highly unlikely that an election will be won on the issue of constitutional reform. Against that, there is little else to enliven opposition supporters. Labour's pronouncements on the economy too closely resemble the Conservatives' to cause the blood to rush round activist veins. If there is to be a Left vision, it has to be reform.

Ulster, Scotland and Wales boast their own traditions. Europe is being reshaped. It is time to modernise the way Britain is governed

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Package in need of reshaping

From Mr Michael Anderson.

Sir, Last year, John Gummer, the environment secretary, called together a group of manufacturers of packaged goods and retailers, and challenged it to develop and implement a plan to recover value from used packaging ("Packaging industry given deadline for recycling waste", July 28).

Since then, there have been reports in the media of how this unrepresentative group of companies - known as the producer responsibility group - has addressed the challenge. Unfortunately, the group has failed to broaden its membership to reflect the importance of packaging manufacturers in properly developing such a plan.

However, it has suggested that these same unrepresented packaging manufacturers should pay any additional costs of increasing recovery and recycling rates.

In addition, the group's estimates of the amount of these costs may well prove to be wildly inaccurate. And now it is reported that the group is developing a plan to implement its ideas through a top-heavy bureaucratic organisation to be called Valpak, whose structure will further disadvantage packaging manufacturers.

Surely the time has come for Mr Gummer to call a halt to this process which he, himself, initiated. He should insist that the group reconstitute itself to be more broadly representative of the entire packaging chain before finalising proposals which are of such long-term strategic significance to this leading industry. Michael Anderson, managing director, Linpac Plastics International, A1 Business Park, Knottingley, West Yorkshire, WF11 0BS

UK economic trend argues against monetary union

From Dr Jörg Schimmelpfennig.

Sir, As the new set of trade figures released on Wednesday reveals, the UK economy is finally cashing in on Britain's forced exit from the European exchange rate mechanism two years ago ("Non-EU exports rise to record highs", September 22). This outcome had not really been too difficult to predict (Letters, September 28 1992).

While fears of any repercussions on the inflation front have proved unfounded as well, the opportunity costs of an artificially high exchange rate have become all too clear. "Black Wednesday", even though it should be considered

a humiliation of the government's economic policy at that time, was a real blessing for Britain's economic prospects.

Moreover, it offers some food for thought regarding future EU economic policy. As there is no way to prevent economies from diverging at some point, any fixed exchange rate will eventually prove wrong as well. Consequently, the recent British experience is the best argument available against the planned European monetary union!

Jörg Schimmelpfennig, Department of Economics, University of Osnabrück, D-49069, Osnabrück, Germany

Model for international total quality award

From Dr Rowan Astbury.

Sir, The message in Alan Mitchell's article (Management: The Growing Business, September 20) is absolutely right - the quality assurance system BS EN ISO 9000 is a small component of total quality and not the whole answer. His reports on various ways of trying to add total quality to quality assurance... but how cumbersome and confusing these ways around! What is needed is an internationally endorsed, systematic approach to total quality, and this now exists. It is the model used in the new UK Quality Award. Strongly supported by the British Quality Foundation and the European Quality Foundation, the model is endorsed by the Department of Trade and Industry and government generally. The prime minister, John Major, will be presenting the first awards to UK companies using the model in November.

What is more, the model is designed to be used by organisations of all types, sectors and sizes, and can be adopted on a self-help basis, without the need for expensive advice. We work with voluntary sector organisations and often recommend that they use this model. Interestingly, some large private sector organisations are now wondering how they can offer help to voluntary organisations working on quality. The principles can be the same regardless of sector and size, and such help can show the private sector organisation's commitment and expertise to good advantage. Rowan Astbury, Charities Evaluation Services, Number One Motley Avenue, Christina Street, London EC2A 4SU

Right way to tackle drugs

From Mr I N Geoffrey Selwyn.

Sir, Your leader ("The role of a third party", September 21) only takes the argument half way. There are two evils associated with drugs. The first is the harm resulting from their use and the second is the incalculable damage to society inflicted by the crime resulting from their prohibition. In my opinion, the second is by far the greater and its continuance is a greater moral evil since it could be so easily removed by a stroke of the parliamentary pen.

We would then be free to tackle drug use as we do tobacco or alcohol abuse. The distinction between soft drugs and hard is irrelevant. I N G Selwyn, 32 St Mary's Avenue, Northwood, Middlesex HA6 3AZ

Sceptical

From Mr Nigel Wilkins.

Sir, I fear your leader, "Well done, Mr Clarke" (September 17), gives too much credence to the harsh judgment of the financial markets over the UK's inflation prospects.

You omit any acknowledgement that the reduction in inflation since sterling's abrupt departure from the ERM was achieved despite highly unfavourable circumstances. During that two-year period sterling has declined by 15 per cent on a trade-weighted basis, while commodity prices have risen by more than a third.

In view of the scale of these external inflationary shocks that have been successfully absorbed by UK industry, I am sceptical of your comment that the recent mild upturn in inflation indicates an absence of excess capacity. Nigel Wilkins, 8 Petersham House, Harrington Road, London SW7 3ED

Argument that company cars are tax-efficient is a fallacy

From Mr Brian Friedman.

Sir, Mr Michael Landon (Letters, September 17) seeks to resurrect the old - and ultimately self-defeating - chestnut that company cars are still "a very cost-effective way of providing a benefit to employees".

The truth of the matter is that the government has finally achieved its long-standing aim of establishing a level playing field in company car taxation. That is not to say that all cars are tax neutral - indeed there are many winners and losers. Rather, the playing field is now undulating,

but, on average, is level.

One common fallacy committed by those who argue that company cars are still very tax efficient is to forget that a proportion of any cash alternative can also be paid tax free either under the fixed profit car scheme or on the strict statutory basis. Hence it is not correct to state that a private car must be financed out of after-tax earnings - only the private use proportion of the cost need be so funded.

In practice, the main factor in determining whether a company car is now tax efficient is the relative purchasing power

of employer and employee. As with other benefits in kind (for example, private medical care), the ability of the employer to negotiate a discounted rate is the true perk. However, even here the playing field is beginning to level out as manufacturers and leasing companies develop ever more sophisticated personal lease arrangements and as phantom fleet insurance becomes more commonplace.

Notwithstanding the above, most employees will choose to retain their company cars for a variety of non-monetary reasons: for example, there is no hassle involved and they have no responsibility for the car. My belief is that the status car culture is slowly but surely being eroded as companies turn to flexible benefit packages and employees begin realising the attractions of non-conventional pay practices. Those looking for an overnight change in company car practice will, however, be sorely disappointed. Brian Friedman, head of compensation & benefits, Arthur Andersen & Co, 1 Surrey Street, London WC2R 2PS

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Friday September 23 1994

Deficient targeting

Politicians established the rules, now politicians must play by them. In a little over two weeks, European finance ministers must establish the fiscal qualifications for entry to Europe's fast-track to economic and monetary union. The Maastricht Treaty provides them with two reference numbers, and a good deal of scope to fudge both. Given the EU's current state of fiscal disarray, one of the targets may well be dropped. The signs, however, are that it will be the wrong one.

From an economic standpoint, the arguments for imposing fiscal rules for entry to European Monetary Union were always quite weak. Once individual governments have handed over independent control of monetary policy, so the fear goes, they will have an incentive to overcompensate on the fiscal side, running up unsustainable public budget deficits. Investors might not believe that the EU would allow a member to suffer a default. In that case, Europe as a whole would bear the cost, in the form of higher European interest rates.

In principle, the "no-bail-out" condition written into the Maastricht Treaty solves this problem. In truth, however, the threat might never be credible. The best reason for additional, numerical, fiscal constraints was that, by only admitting countries with a proven record of sound fiscal policy, there would be less chance that this commitment would be tested, particularly in the early, politically sensitive stages of EMU's history.

Two arbitrary indicators were chosen: a public budget deficit of no more than 3 per cent and national debt not exceeding 60 per cent of GDP. Neither is a particularly cogent indicator of a coun-

try's ability to pursue sensible fiscal policies. Certainly, few EU member states are likely to satisfy both by 1997.

The European Commission appears to have decided to apply the deficit criterion rigorously, while casting a benevolent eye over the level of a country's debt. This is not surprising, since the Commission wants as many countries as possible to qualify and knows that it is easier to meet a target for a deficit (which is an annual flow) than for the debt stock, in addition to Luxembourg, the only country already meeting both targets, it decided not to recommend Ireland as a potentially divergent country, a decision which the EU finance ministers, rather more surprisingly, accepted on Monday.

Both can justify their decision by pointing to the impressive reduction of the Irish debt ratio, from nearly 120 per cent in 1987 to the current 90 per cent of GDP. But it sets a dangerous precedent. Regardless of the current stance of its fiscal policy, a country with a high debt ratio has a greater risk of encountering debt service problems than a country with a relatively low level of debt. The Maastricht Treaty's chosen "safe" ratio may be arbitrary, but debt is the more justifiable and the more important of the two criteria.

Some room for manoeuvre around the 60 per cent figure is required, but effectively deciding to ignore it, by exempting countries with ratios of 80-90 per cent, could prove damaging. Such a decision may have been necessitated by the need to offer hope to Belgium, whose debt ratio is far higher still. But the end result will be the effective obliteration of the only fiscal criterion that made any sense.

Private finance

It is almost two years since Mr Norman Lamont launched the private finance initiative. The then UK chancellor's aim was to mobilise the private sector to meet needs that had traditionally been met by the public services. A vision of new privately-built roads, railways, schools and hospitals was conjured up.

As the initiative approaches its second birthday, that vision has yet to be achieved. Some modest projects have taken off in the health service, and several road and rail projects have been put out to tender. The Treasury has lifted its objections to financing new roads through shadow tolling - payments to the operators according to the number of vehicles using them. But there remains an absence of holes in the ground, as Mr Howard Davies, director general of the Confederation of British Industry, put it last year.

There is continuing scepticism about the initiative in Whitehall, and among the investment community which might provide the capital. Civil servants seem to have unrealistic views about the degree of risk that the private sector is prepared to assume in infrastructure projects. It is not clear that they or ministers are yet prepared to countenance the rates of return required to attract private capital. On the other side, the absence of progress on the initiative is leading many potential partners in the private sector to conclude that involvement is unlikely to produce early returns.

If the initiative is to achieve its promise, renewed efforts are needed to remove obstacles. One would be to provide some incentive for civil servants who succeed

in bringing private finance into government services. At present, they can see only the downside of failure. If a project fails, or the private sector partner makes a large profit, there is likely to be criticism from the National Audit Office and exhortation by the Commons Public Accounts Committee.

A positive incentive might encourage clearer analysis about the appropriate share of risk between the public and private sector. Sir Alastair Morton, chairman of the panel advising the chancellor on the initiative, last night urged the government to "loosen up" its approach to risk-sharing. In a speech at the London Business School, he said that it makes sense for the public sector to bear the political risks of large infrastructure projects such as the Channel tunnel link. By putting the link out to tender before the planning process is complete, private operators have been asked to bear risks they cannot control.

Lessons should also be learnt from public services where private finance is already playing a part. Housing associations were transferred to the private sector in 1988 and have since raised more than £5.5bn of private capital to supplement government grants for building low-cost homes. A similar transfer for NHS trusts and grant-maintained schools would allow them to raise capital against the value of their assets without adding to public borrowing.

Finally, some projects need to be started soon if private finance is to be attracted into public services. Without the prospect of lots of holes in the ground, the cost of bidding for the occasional large project will do little to encourage private sector enthusiasm.

Opposing within

The strengths and weaknesses of the British government's often theatrical battle against the European Union's social dimension were fully displayed in Brussels yesterday. Mr Michael Portillo, the aggressive new employment secretary, denounced a proposal to offer unpaid leave to fathers upon the birth of their children. But he had nothing to say about the potentially much more significant European works council directive on employee consultation, finally passed after nearly 15 years of debate.

His silence on works councils is a consequence of Britain's decision to "opt out" from that directive, which means that it has excluded itself from the final discussion. All the same, many of the 100-plus UK companies which will be affected by the directive through their European subsidiaries are likely to include the British employees in its requirements. And several employers' organisations have privately regretted that Britain was not on the inside, fighting to amend the proposal.

Whereas the UK's opt-out has generally been unproductive for

Europe's employers, its persistent niggling from within on dubious legislation has been more helpful than critics acknowledge. The new balance between social protection and job creation that is now evident in Brussels is the result of several factors including high unemployment and the changing political balance in several capitals, but it also owes something to British truculence.

Mr Portillo acknowledges those positive new signals about the social dimension and accepts that most of the directives now under discussion are the last gasps of an earlier era.

He would probably even accept that in the areas of UK labour market legislation where Europe does play an important role - such as health and safety, and gender equality - it has produced acceptable results. But in his determination to wield the opt-out again on relatively minor measures, such as paternity leave, he is making a faulty analysis of British interests. As Britain's limited success in revising the Acquired Rights directive has shown, fighting from within can work.



Edouard Balladur, prime minister
Source: French Economics Ministry, Datastream

For someone usually so cautious, French Prime Minister Edouard Balladur has just taken a gamble.

This week, less than eight months before the presidential election he hopes to win next May, he unveiled a deficit-slashing budget for 1995. He and his budget minister, Mr Nicolas Sarkozy, described their plans to forgo income tax cuts, to freeze overall public spending and to prune another FF25bn (€3bn) off the deficit, as "courageous".

It is either that, or foolhardy, to place before a country recovering from recession and still suffering from record unemployment a pre-election budget which merely chips away at the heavy welfare charges that so deter job creation in France.

Mr Balladur is trying to pull off a delicate, multiple balancing act. He is aiming for fiscal rigour without choking off France's incipient economic recovery. He wants to bolster his government's pro-European and anti-inflationary credentials while putting enough people back to work to win what is likely to be a fiercely contested presidential election.

Whether courageous or foolhardy, the Balladur government has promptly set about selling its new budget to the French and foreigners. Mr Edmond Alphandery, the economics minister, flew to New York yesterday to try to convince Wall Street investors that France is still a good bet.

Foreigners shied more than FF100bn of their investments in French government paper in the first half of this year. As well as being deterred by the general fall in bond prices, they were bothered by the prospect of a protracted campaign for next May's election and by an aura of corruption gathering round some of its leading companies.

Pressure is also coming from Europe. Early next month, Mr Alphandery will be grilled by fellow European Union finance ministers on France's plans to reduce its budget deficit in order to conform with the Maastricht treaty convergence targets. By that time, the budget debate in the French National Assembly will be also under way.

For French politicians, EU partners and foreign investors alike, the central question is the same: can the Balladur government meet the demands of Maastricht and of the markets for fiscal discipline, while also curbing France's chronic unemployment problem?

The government believes this is possible, largely thanks to the upswing in the economy. Shaking off months of caution, Mr Alphandery predicted this week that the economy would grow by at least 3.1 per cent in real terms next year, after 2 per cent this year.

Such growth would be kick-started by extra spending on public works and housing as well as government incentives for car purchases, and led by internal demand, Mr Alphandery predicted. Increased purchasing power would sustain the rise in household consumption, while rising order books encouraged companies to make new capital investments.

Party time for unemployed

■ Jacob Haugaard, a 42-year-old comic satirist, is laughing all the way to the Danish parliament. Calling for uncontroversial social goods such as a following wind on cycle tracks, he is only the second independent candidate to secure election in nearly 80 years.

It's a case of seventh time lucky for Haugaard and his Party of Consciously Work-shy Elements who look forward to the day when unemployment is not a mere 12.5 per cent, as now, but 75 per cent.

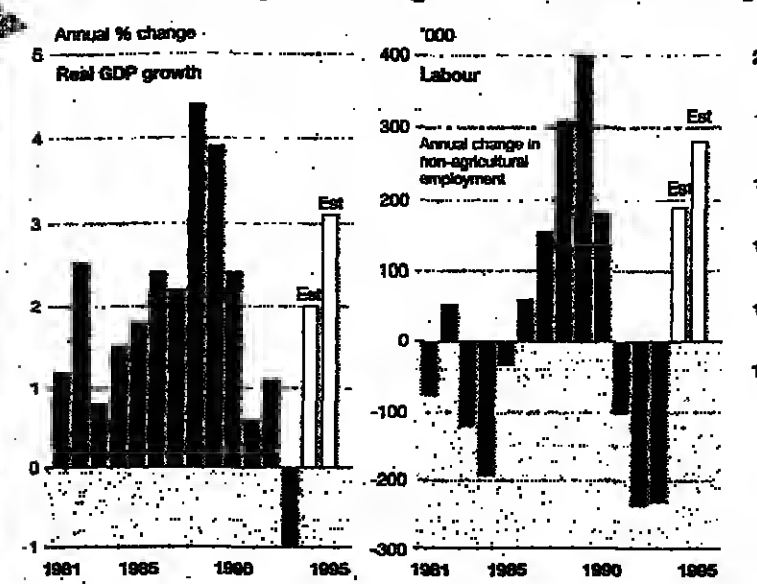
A familiar figure in television, cinema advertising and through his one-man shows, Haugaard grabbed 23,211 votes in his Jutland constituency of Aarhus, Denmark's second-largest city. He had hoped to pull in 25,000 votes; the shortfall he ascribes to one of his least popular proposals - less sex in school staff rooms.

While Haugaard promises to treat his Folketing membership as a practical joke, establishment politicians fret as to what his election says about their profession - as well they might.

Global village

■ Gin drinkers and others who have been hanging on thirstily to see who would replace Crispin Davis as head of Guinness's spirits

French economy: a bold gamble with austerity



Internal demand would therefore probably rise faster in France next year (3.2 per cent) than elsewhere in Europe (an average of 2.7 per cent).

The economy minister said the recovery looked like being "healthy and durable", unconstrained by worries over inflation or trade imbalances. The rate of price rises, now running at 1.7 per cent a year, would stay below 2 per cent next year, while this year's expected FF30bn trade surplus would only slip to FF20bn, he claimed.

However these predictions turn out for next year, the upturn has already had an effect on the job market, with an extra 117,000 finding employment in the first half of this year.

The last time such a surge took place was in the expansionary years of 1987-89. No one in the French government expects a repetition of

Renault is next on the block, but its privatisation will only be partial and unlikely to bring more than FF125bn into state coffers. Assurances Générales de France is due to follow, but there is short-term weakness in the insurance sector. Groupe Bull - possibly third in line for sale - faces longer-term difficulties in the computer sector.

At any event, the government made no bones this week about its intention to use FF20bn of the FF30bn in capital receipts to help plug the gap in its budget next year. As a result Mr Sarkozy's reduction in the budget deficit from FF30bn this year to FF25bn next looks for the most part like an honest bet. It needs to be. For the Maastricht timetable clock is ticking louder than ever for France.

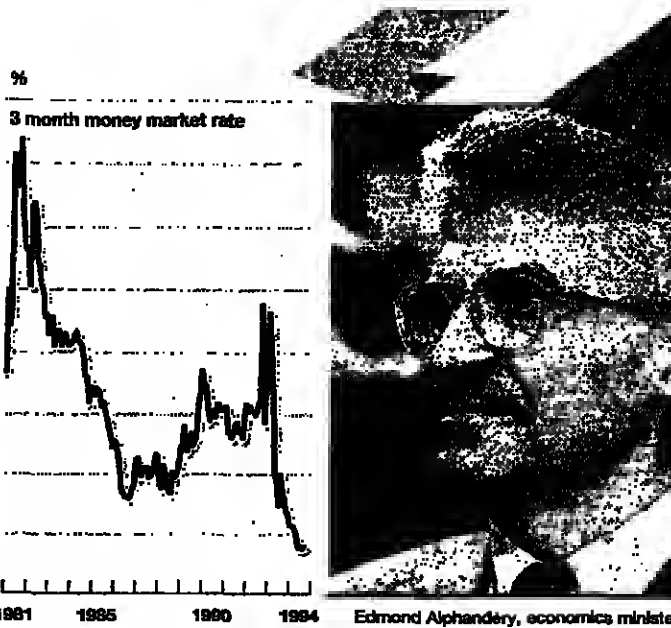
Mr Balladur is not exactly passionate about eventual monetary union, but he likes to see himself and be seen as a man who likes to take a long-term view. Right at the start of his government in April 1993 - before he could begin to hope the opinion polls would lift him to his current position of "présidentiable" - he laid out a five-year programme for France to scrape in under the Maastricht wire by 1997.

Now that he has a reasonable hope of being in the Elysée at that time, he at least wants France to be in a position of strength to bargain with Germany on the terms of any currency union. He also thinks he knows with whom, and over what, he might be bargaining. Germany's Christian Democrats, favourites to win next month's election, have come out in favour of a "hard core" with France within the European Union.

Paris is haunted by fears of falling behind in the long Maastricht march. As Mr Sarkozy said this week, "all our partners are committed to a policy of deficit reduction... and to think that France alone could dispense with such an effort would be a grave error".

The government is particularly impressed with the current signs that Germany is finally getting a grip on its deficits. Maastricht requires that the total of all public sector deficits - on the budgets of regional governments and quasi-state bodies as well as central government - should equal 3 per cent of gross domestic product or less.

On this week's plans, France's



Edmond Alphandery, economics minister

Parliament elections in June showed that France remains divided over Maastricht. To the alarm of the centre-right coalition government, 14 per cent of the vote went to the list led by Mr Philippe de Villiers, an anti-Maastricht conservative.

That fact could further fuel the undeclared but now overt rivalry between Mr Balladur and Mr Jacques Chirac, leader of the RPR gaullist party, for the presidency. Mr Chirac is not anti-Maastricht, but equivocal about it. In his quest to squash Mr Balladur's presidential pretensions, he may well cast about for the de Villiers vote.

That would mean adopting a less rigorous approach to the Maastricht convergence criteria. The question is how he is to start marking out his policy differences on the issue with fellow-gaullist Mr Balladur, and when.

He could start to do so in next month's budget debate. Mr Bernard de Froment, the RPR deputy who advises Mr Chirac on budgetary matters, rejects "fetishism on balancing the budget" and the idea that "employment levels can be fixed by the play of the market alone". Many in the Chirac camp incline to the "don't-just-stand-there-intervene" school of economics. However, for the moment, Mr Chirac is producing silence, not ideas.

His muteness is in sharp contrast to Mr Valéry Giscard d'Estaing, president of the government's other coalition party, the centrist UDF. The ex-president has thrust his ear into the debate with a series of detailed articles in Le Figaro, showing how welfare charges of up to 40 per cent levied even on the minimum wage of FF6,010 a month negate any incentive by employers to hire low-skilled workers. He urged the government to make deep cuts in these welfare charges, to be offset by a temporary hike in value added tax.

It is hard to read the plan as Mr Giscard d'Estaing's launch-pad to regain the Elysée next year. The Figaro articles are more like something penned by a young finance minister, as Mr Giscard d'Estaing was back in the early 1980s, than the vague generalities beloved of senior French politicians like the 68-year-old UDF leader now is.

But the ex-president's intervention will give yet a further twist to the budget debate that will set the shape of the coming presidential contest. Mr Giscard d'Estaing is basically in the same camp as Mr Balladur, but he leads a different party, the UDF, and wants the prime minister to be more radical in allaying job creation to budget rigour. Mr Chirac, by contrast, is of the same RPR party as Mr Balladur but sees a more fundamental contradiction in the prime minister's "budget rigour plus jobs" approach.

It is small wonder, therefore, that, despite the impression Mr Balladur was seeking to give this week of courageous constancy, the international markets believe French economic policy will take a political buffeting in the next eight months.

This is where France's European policy and its impending presidential election come in. The European

Balladur wants France to be strong enough to bargain with Germany on the terms of any currency union

French state is now increasingly assuming responsibility for these deficits, for two reasons.

First, the deficits are now beyond the means of employers and unions whose payroll contributions have traditionally funded much of the French welfare system; the government took over FF100bn worth of the welfare debt accumulated in 1991-93, and may have to do the same with this year's estimated deficit of nearly FF60bn.

Second, virtually everyone agrees in France that levying welfare charges on the workforce simply discourages employment, and that welfare costs should be progressively shifted more to the central budget and the general taxpayer.

But views vary on the desirable pace of this shift. Those who think it particularly important that the deficit be reduced or contained are keen that it take place rapidly; those who see the former as less important would be content with a slower shift.

This is where France's European policy and its impending presidential election come in. The European

OBSERVER



the Old Lady, the Club boasts nearly 200 members, and the Commodore is none other than Eddie George, who inhabits that rank not by virtue of his governorship but because he enjoys messing about in boats. While the good ship will, at best, be in dry dock for some time, all hands were safe. The governor was on terra firma all day, and the gilt-edged market, for once, was not taking on water either yesterday.

Hungry for news

■ There have not been many laughs in the White House recently,

but at least the place is now acquiring a public face with a well-developed sense of humour.

Mike McCurry, a cheerful Californian veteran of the Clinton campaign who has been an effective mouthpiece for the state department, is about to take on some of Dee Dee Myers's functions. The president's press secretary herself is being given "broader responsibilities" - whatever that may mean.

One of McCurry's better moments came last Saturday. Bored with waiting for news from Carter's Haiti team, he and his boss, Tom Donilon, ambled over to the White House to share a pizza. Wolf Blitzer, the hyperactive White House correspondent for CNN, spotted them and immediately went on air, speculating that something big was about to break.

McCurry watched it all on TV. At a later briefing he revealed: "It was pepperoni, Wolf."

Unappetising

■ John Major ended his epic trip to South Africa with a private visit to a safari park yesterday, predictably insisting that any resemblance between him and a dodo was a ghastly mistake. "I am not an endangered species," he piped, a remark surely destined to find its home in the quote books alongside "never had it so good" and "there is no alternative".

Norma Major did her bit for

wildlife, too, courtesy of knife and fork. She lunched at a well-known Johannesburg restaurant which specialises in traditional dishes such as crocodile, worms and boiled ox-tripe - not that she sucked into that sort of stuff. "She was really nice but we didn't think she'd like them," the proprietor remarked realistically.

Blue-eyed boy

■ What a relief. When China finally gets its hands on Hong Kong in 1997, nothing will change except "a yellow-faced Chinese, not a blue-eyed British" will be in charge. And that's reasonably official, coming as it does from China's ambassador in Singapore, Yang Wenchang. "Even driving will be on the left side of the road. In China we drive on the right side," he added. Large ones all round at the Jockey Club please.

Toothless

■ More whispers that Kenneth Baker, former UK cabinet minister, is poised to return to government. The Beast of Bodmin, a large cat-like creature, is still supposedly roaming the west of England. So the reasoning is that Baker, as some secretary at the time of the Dangerous Dogs Act 1991, is just the man to deal with dangerous beasts - particularly a sheep in wolf's clothing.

This announcement appears as a matter of record only.

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September 1994

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INTERNATIONAL COMPANIES AND FINANCE

Generali profits climb to L422bn

By Andrew Hill in Milan

Parent company profits at Generali, the Italian insurer which is the country's biggest quoted company, rose to L422.3bn (£271m) before tax in the first half of 1994, compared with L410.2bn in the equivalent period last year.

The company said ordinary operations had performed well, but like all financial companies, Generali's investment portfolio has been punished by difficult markets and rising interest rates.

On June 30, the end of the

first half, the group's unrealised gains on its share portfolio stood at L7,050bn, but since then some L350bn has been wiped off the value of its holdings. By mid-September, the company said its unrealised gains stood at L6,700bn.

At the halfway stage, Generali does not give full consolidated group figures, but it said aggregate group premiums had increased by 15.3 per cent to L15,690bn in the first half, of which L11,183bn came from outside Italy.

Gross parent company pre-

miums in the first half increased to L4,991bn, a rise of 4.2 per cent if exchange rate differences are evened out. Life premiums rose to L2,028bn and non-life to L2,963bn.

Generali's investments in the first half increased by 5 per cent to L32,123bn, but the increase in income was comparatively sluggish. Net of financial charges, the income rose 3 per cent to L1,261bn.

"Activities in Italy have shown a satisfactory development in the life operations," the company said in a state-

ment yesterday. "However, the progress of the non-life operations has been modest, although a recovery is expected in the second half."

Insurance companies are expected to be among the main beneficiaries of the Italian government's efforts to reform the Italian pensions sector, which should lead to more private pension schemes.

Generali's shares closed before the release of the half-year results at L39,519, against an opening price of L39,976.

Mobilfunk partners to increase holdings

By Christopher Parkes in Frankfurt

The commercial partners in Mannesmann Mobilfunk, the mobile telephone company, are to increase their holdings with the purchase of a 10.35 per cent stake currently held by the Deutsche Genossenschaftsbank, DG Bank.

No information was available yesterday on the terms of the deal, although the Mannesmann group, which owns 51 per cent of the business, said the stake was expected to be shared among the partners in proportion to their existing holdings.

This would give the German consortium leader a further 6.46 per cent. AirTouch of San Francisco would take 3.3 per cent with the balance of about 0.6 per cent going to Cable & Wireless.

Mobilfunk is the leading private mobile phone company in Germany.

After making its first profits in the first half of this year, it now has well over 700,000 subscribers, and according to some estimates could have 1m customers by Christmas.

The agreement coincided with confirmation that the German government will press European Union partners to fix a date for free competition on European networks at a joint meeting of industry and telecommunications ministers in Brussels on September 28.

If there was still no agreement at a meeting of post and telecommunications ministers booked for November 11, the German government would consider going it alone, according to a joint statement from Bonn's research, post and economics ministries.

Mr Wolfgang Böttsch, post minister, has said Germany might liberalise its network on January 1, 1998, the date set for deregulating EU services.

The government has been convinced by private sector lobbyists that open competition in data and telephone communications networks will provide thousands of urgently-needed jobs.

Accor talks stumble over Suez bid for more control

By John Riddling in Paris

The relationship between Accor, the French hotels group, and Suez, its biggest shareholder, has been called into question following an apparent breakdown in negotiations concerning an increase in the stake held by Suez in its long-term partner.

The two companies had been discussing an increase in Suez's participation aimed at providing a solid core shareholder for Accor.

But the negotiations ran into trouble concerning the extent to which Suez would play a management role, and Accor said that it had become clear to both parties that they could

not move ahead. "They wanted powers of decision which we could not accept," Accor said.

Suez declined to comment on the state of the talks, but said it would make an announcement on Monday concerning the future of its 12.4 per cent stake in Suez, held through Société Générale de Belgique, its Belgian subsidiary.

Industry observers in Paris said that the rupture of negotiations could prompt Suez to reduce its stake in Accor. "If they haven't reached agreement, then a sale of some of its stake seems likely, although it may not be immediate," said Mr Jean-Jacques Vironde, leisure analyst at Société Générale in Paris.

According to Mr Vironde, the disagreement between the two companies revealed the fragility of Accor's shareholding structure.

The Caisse des Dépôts et Consignations, the state financial institution which is Accor's second biggest shareholder, is widely thought to want to sell its stake.

Suez was regarded as a stable core shareholder, but Mr Gérard Worms, chairman, demanded a significant management role in Accor and a strong influence in designating the eventual successor to Mr Paul Dubrule and Gérard Pelisson, the co-chairman who have built the company into one of France's leading hotel chains.

UK recovery lifts RMC's results 60%

By Christopher Price in London

The continued strength of the German construction market and recovery in the UK helped RMC Group to a 60 per cent rise in first half pre-tax profits from £51.6m (£37.3m) to £83.8m.

Turnover rose 14 per cent to £1,920m from £1,690m, with Germany contributing £782.2m, an increase of £55.4m on the previous year.

Profits from German operations - where RMC has a dominating 16 per cent share of the ready mixed cement market - grew 8 per cent from £52.9m to £57.2m.

UK profits more than doubled from £14.1m to £33.3m on turnover 16 per cent ahead at £257.7m. Mr Derek Jenkins, finance director, said price increases of around 8 per cent in the UK concrete business were being passed on to customers.

RMC confirmed recent evidence of a strong recovery in the UK's new house market, with the south-east in particular seeing good demand. Many firms in eastern Germany remained firm and Mr Jenkins forecast double-digit growth in volume terms for the foreseeable future.

Turnover from RMC's other European operations rose 19 per cent to £421.6m with profits 33 per cent higher at £16.4m.

Earnings per share almost doubled from 13.4p to 24.6p. The interim dividend rises from 6.6p to 7p.

Crédit Commercial advances 8%

By Andrew Jack in Paris

Crédit Commercial de France, the French banking group, yesterday reported net profits up 8.6 per cent to FF585.6m (\$110.5m) for the first half of 1994 compared to the same period last year.

Mr Charles de Croisset, who took over as chairman last year, said the bank had followed a prudent policy and the profits and quality of its loan risks were good. "Difficult is not the word," he said.

He said the results marked

the return to the "more classic" performance of the bank after an "exceptional" period last year in the markets and from sharply higher provisions related to regional banking.

Net banking income was unchanged at FF474.6bn, but operating costs rose 4.2 per cent to FF31.12bn, which reduced operating profits after depreciation by 7.8 per cent to FF148.8bn for the six months to the end of June 1994.

Net new provisions declined by 37 per cent to FF494.1m, compared with FF776.9m in the first half last year and from FF682.8m in the first half of 1993.

Balance sheet assets were up to FF373.7bn from FF318.7bn. Deposits during the first half rose 15.1 per cent to FF74.2bn compared with FF64.5bn last year. Credits in the same period rose 2.6 per cent to FF90.5bn.

Mr de Croisset also said that he believed the prospects for the French economy were healthy, with all the indicators suggesting a recovery.

compared with FF776.9m in the first half last year and from FF682.8m in the first half of 1993.

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Hungarian power unit sees rise

By Virginia Marsh in Budapest

MVM Rt, the main operating subsidiary of Hungary's state electricity monopoly, has reported pre-tax profit of FF2.379bn (\$22.03m) on turnover of FF52.78bn for the first half of 1994.

The company, which is due to be partly privatised by the middle of next year, is expecting pre-tax profit of FF1.4bn on turnover of FF107.81bn for the year, up from FF129m on turnover of FF101.4bn in 1993.

However, this year's turnover could rise by FF2.7bn if, as expected, electricity prices, presently 40-60 per cent of western European levels, are increased by 30 per cent in October.

The rises are designed to make the company more attractive ahead of privatisation. The government and AV Rt, the privatisation body, which is being advised on the sale by Schroders, the UK mer-

chant bank, are due to make a decision on the sell-off within the next month.

Under the plan being considered, the state would sell stakes in MVM's power generation and distribution subsidiaries. MVM's nuclear plant and the national grid would remain 100 per cent state-owned. The state is expected to announce tenders this autumn for minority stakes in five of the country's six household gas distribution companies.

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US airline may buy Bombardier jets

By Robert Gibbins in Montreal

American Airlines is considering buying up to 50 Canadian Regional Jets from Bombardier, the Canadian aerospace and transit equipment group, to re-equip three of its four fully-owned feeder lines, say US aircraft industry sources.

The 50-seater RJ sells for about US\$20m. RJs are flying with Delta Airline's feeders Comair and Skywest. The RJ launch customer was Lufthansa's regional unit and several European airlines use the aircraft.

American Airlines would not comment on the reports. In

Montreal, Bombardier said it has had discussions with American Airlines but "no active negotiations are on the way at present".

Avmark, the US aviation marketing and management group, said an American Airlines deal for the RJ has been rumoured for two months.

FIDELITY AMERICAN ASSETS N.V.

incorporated under the laws of the Netherlands Antilles

Notice is hereby given that the Extraordinary Meeting of the shareholders of Fidelity American Assets N.V. ("the Corporation") will be held at 130 Schoutgatweg Oost, Salinje, Curaçao, Netherlands Antilles on 14th October, 1994 at 10.30 a.m. for the following purpose:

AGENDA

1. To APPROVE and agree a Scheme of Amalgamation of the Corporation and Fidelity Funds (sub-fund America Fund), a société anonyme qualifying as a "société d'investissement à capital variable" constituted under the laws of the Grand-Duchy of Luxembourg ("the Scheme"), which is recommended by the Board of Directors and is authorised and empowered, without further action by the shareholders, to take any and all actions, and do any and all acts which may, in its opinion, be necessary or proper.
2. To RESOLVE to dissolve the Corporation in accordance with the Scheme and that the Board of Directors of the Corporation take all necessary steps to consummate its dissolution, and further to resolve that the Board of Directors be and hereby is authorised and empowered, without further action by the shareholders, to take any and all actions, and do any and all acts which may, in its opinion, be necessary or proper to wind up the affairs of the Corporation.

Further to resolve that the property and assets of this Corporation being Shares in the sub-fund America Fund of Fidelity Funds be distributed in specie, proportionately among the shareholders.

Further to resolve that the Board of Directors be appointed as liquidators of the Corporation, and further to resolve that Amerant Holdings & Trust Company N.V. be appointed as custodian of the books and records of the Corporation in conformity with Article 154 of the Communal Code of the Netherlands Antilles.

NOTES

The Shareholders of the Corporation may obtain a copy of the Proposal setting out details of the Scheme at the offices of the Corporation (and at Kredietbank S.A. Luxembourg) free of charge.

In accepting the proposal, the shareholders agree to the investment by the Corporation in a single shareholding in Fidelity Funds - America Fund, which has similar objectives and investments policies to FAV N.V. as set out in its Offering Circular dated March 1992.

Approval of the above items of the agenda will require the affirmative vote of the voting shares present or represented at the meeting.

Each share is entitled to one vote.

Holders of registered shares may vote by proxy by mailing a Form of Proxy to the following address:

Fidelity American Assets N.V.
c/o Fidelity Investments Luxembourg S.A.
Kinsella House
Place de l'Étoile
B.P. 2174
L-1021 LUXEMBOURG

Holders of bearer shares may vote by proxy by obtaining from Kredietbank S.A. Luxembourg, 43, Bd. Royal, L-2955 LUXEMBOURG, a form of bearer shareholders proxy, certificate of deposit and receipt for bearer share certificates, against deposit of their bearer share certificates, and mailing the proxy and certificate of deposit to the Corporation at the address set forth in the preceding paragraph. Alternatively, holders of bearer shares wishing to exercise their rights, personally at the meeting may deposit their share certificates, or a certificate of deposit thereof, with Kredietbank S.A. Luxembourg at the address set forth above, or at the office of the Corporation in Curaçao, against receipt therefore, which receipt will entitle said bearer shareholders to exercise such rights.

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation at the address set forth above not later than (Luxembourg time) on Tuesday, 11th October, 1994 in order to be used at the meeting.

Dated: 2nd September, 1994

By Order of the Board of Directors

Fidelity Investments

SAMANTHA INVESTMENTS PLC

£20 million Subordinated Floating Rate Notes Due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 21st September, 1994 to 21st March, 1995 the Notes will carry interest at the rate of 8.0625 per cent per annum.

Interest payable on 21st March, 1995 will amount to £3,998.12 on each £100,000 Note.

West Merchant Bank Limited
Agent Bank

Shimizu International Finance (USA), Inc.
Yan 5,000,000,000

Tranche B Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 22nd March, 1995 has been fixed at 2.7875 per cent.

The interest accruing for such six month period will be Yen 14,014.93 per one Billion Note on 22nd March, 1995 against presentation of Coupon No. 5.

Union Bank of Switzerland
London Branch Agent Bank
28th September, 1994

Shimizu International Finance (USA), Inc.
Yan 5,000,000,000

Tranche A Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 22nd December, 1994 has been fixed at 2.725 per cent.

The interest accruing for such three month period will be Yen 6,588.194 per one Billion Note on 22nd December, 1994 against presentation of Coupon No. 9.

Union Bank of Switzerland
London Branch Agent Bank
28th September, 1994

U.S. \$125,000,000

American Express Travel Related Services Company, Inc.

Services Company, Inc.
(Incorporated in New York)
Floating Rate Notes Due 1996

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West Merchant Bank Limited
Agent Bank

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U.S. \$150,000,000

Financière CSFB N.V.

Junior Guaranteed
Undated Floating Rate Notes

Guaranteed on a subordinated basis
as to payment of principal and interest by

Financière
Crédit Suisse-First Boston

Interest Rate 5 1/8% per annum
Interest Period 23rd September 1994
23rd December 1994

Interest Amount due
23rd December 1994
per U.S. \$ 5,000,000 U.S. \$ 66.35
per U.S. \$100,000 Note U.S. \$1,327.08

CS FIRST BOSTON
Agent

Shimizu International Finance (USA), Inc.
Yan 5,000,000,000

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Union Bank of Switzerland
London Branch Agent Bank
28th September, 1994

INTERNATIONAL COMPANIES AND FINANCE

Daewoo buys stake in Indian truckmaker

Daewoo, the South Korean conglomerate and the country's third-largest carmaker, is to buy a majority stake in DCM-Toyota, an Indian truckmaker. Reuter reports from New Delhi. It is planning to transform the ailing company into a profitable car manufacturer.

Mr Shiv Awasthi, managing director of DCM-Toyota, said that a shareholders' meeting next Thursday was expected to approve a capital restructuring and a change in the company's name to DCM-Daewoo Motors.

"There was a need for a strategy to broaden the product range for [sales] volume and sustainable growth," he said.

Several leading carmakers are gaining a foothold in the Indian auto industry in competition with Suzuki, the most established producer in India. They include General Motors, Mercedes-Benz, and Volkswagen.

DCM-Toyota incurred sustained losses as the market for its lightweight trucks was hit by a rising yen that increased manufacturing costs, and by competition in India from rival Japanese vehicle makers Mazda, Nissan and Mitsubishi.

Daewoo is planning to start

with an investment of \$15m to \$18m but will inject \$200m by 1997 and \$600m to \$1bn by 2000, initially to make the latest of its Racer range of 1500cc cars for the Indian market, said Mr Awasthi.

"Korea is now enjoying the price competitiveness which Japan enjoyed 15 years ago," he said.

Daewoo plans to start production by September 1995, and its first car is expected to roll off the assembly by the following December. "We are planning 25,000 cars in the first year and possibly 100,000 by the year 2000," said Mr Awasthi.

Toyota has brokered a revival package under which Daewoo will buy 51 per cent of the company, while Toyota's holding will be reduced to half of its current 17 per cent. India's DCM, whose current holding is 56 per cent, will hold at least 28 per cent, he said.

The equity base of the new company will be increased from Rs450m to more than Rs910m (\$29m).

DCM and Daewoo are both optimistic about the prospects for India's car market, which they expect to grow from 220,000 to 330,000 cars per year at present to 600,000 by 2000.

Anglovaal pays more as profits rise 13%

By Mark Suzman
in Johannesburg

South Africa's Anglovaal group, the mining and industrial conglomerate, has announced a 13 per cent rise in operating profit to R813.9m (\$229.9m) for the year to June from R719.5m last year.

Turnover rose 17 per cent to R9,969.1m from R8,509.5m, while attributable earnings rose 17 per cent to R342.2m from R293.1m a year ago. The dividend was also raised 17 per cent to 123 cents from 105 cents.

Once again Anglovaal's industrial interests provided the greatest part of the group's earnings. At R241.2m, up from R203.1m last year, they contributed 71 per cent to the total.

The improved results were due largely to higher relative earnings from cement group Anglo-Alpha and electronics and construction arm Grinaker Holdings, as well as a satisfactory performance from food processor Irvin and Johnson.

Income from the group's direct mining interests in gold, copper and manganese benefited from the weaker rand and rose to R45.8m from R37.9m, with their share of total earnings static at 13 per cent.

The increase in mining earnings was also helped by higher royalties accruing to subsidiary group subsidiary Saturn Mining, Prospecting and Development from the Venetia diamond mine.

However, earnings from indirect mining holdings, held through Middle Witwatersrand, rose only slightly to R35.8m from R34.2m, and their overall contribution to group earnings dipped from 13 per cent to 12 per cent.

The group expressed optimism about the South African outlook for the coming year, citing the continuing international recovery and rising domestic fixed investment. It expected to increase earnings further over the current year.

Nokia rides the worldwide airwaves boom

The Finnish company is taking on Japan, reports Christopher Brown-Humes

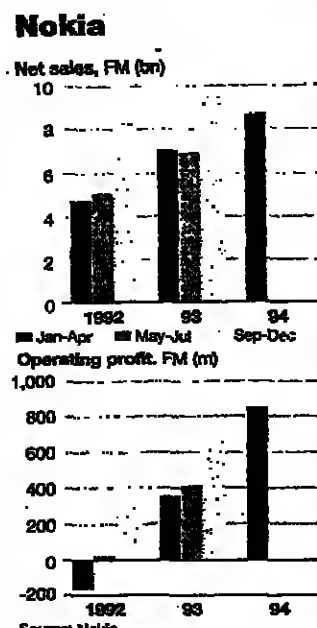
In August 1992, shortly after being appointed Nokia chief executive, Mr Jorma Ollila returned home from a management brain-storming session and wrote down the four phrases which he saw as the key to the company's future. They were "telecom-oriented", "global", "focus", and "value-added".

Two years on, nobody can accuse Mr Ollila of not sticking to his own brief. The 44-year-old former Citibank executive has focused the group very firmly on telecommunications, and Nokia has developed an increasingly global profile.

It is also difficult to argue with the results. As sales have soared, the group has surged back to profit. Even more spectacularly, the group's share price has risen more than 12-fold and, with a market capitalisation of more than FM40bn (\$8.15bn), it accounts for almost 23 per cent of the value of the Helsinki stock exchange.

Its star position in the Finnish corporate landscape is highlighted by the cluster of mature slow-growth forestry and engineering industries surrounding it.

Is the success down to luck or judgment? Like a surfer riding a rolling wave, Nokia happens to have caught the mobile telecommunications boom at just the right time. As the world's second-biggest supplier of mobile phones after Motorola of the US, it has benefited from a surge in global handset sales from 3m in 1982 to 14m last year and to an estimated 25m in 1994. It is also



Jorma Ollila
Chief executive

the world's second-largest supplier of digital cellular equipment after Sweden's Ericsson.

When explaining the group's rebound, Mr Ollila says external market conditions and the group's focus on certain market segments have been as important as technical innovation.

"The two things which have helped us most have been the entry of new operators into the cellular market and the shift from analogue to digital," he says.

One measure of the group's success is that it has a near-20 per cent share of the world

mobile phones market. This means it will supply around 5m phones in 1994, double last year's figure.

Another indication of its confidence is its early move into the Japanese market, where it is aiming to capture a 25 per cent share of the digital phone business by 1998.

Nokia became the first European manufacturer to enter the Japanese market earlier this year, and it claims to be offering the smallest and lightest handset on the market as well as the only one that carries both English and Japanese characters.

Indeed, Nokia's increase in world market share has been to a large extent at the expense of Japanese rather than western rivals. The group's 20 per cent share of the mobile phone market is now not far short of the 26 per cent held by all of Japan's mobile phone manufacturers together.

Telecommunications today accounts for more than 60 per cent of group sales, compared with as little as 14 per cent 10 years ago. This dominance is increasing all the time because the group's core telecom businesses are growing at 50 per cent a year, while growth in its other activities - consumer electronics, cable and machinery, tyres and power - is virtually flat.

The consumer electronics operations, in particular, have brought Nokia considerable pain in the last two years, culminating in a divisional loss of FM747m last year. Considerable restructuring, including the closure of the group's picture tubes operations, has helped to turn the business round and it is on course to return to the black in the final four months of the year.

Despite the prospect of low growth, it is likely that the consumer electronics operations will be retained, assisting the group's ambitions to build a presence in multimedia.

But even here, Mr Ollila does not over-stress the synergies between the telecom and consumer electronics side of the business, noting that it is an "interesting link but not a cru-

cial one". As for the rest of the group's non-telecom activities, Mr Ollila says bluntly that he is prepared to devote no more than an hour of his attention a month to them. He emphasises that Nokia has no intention of investing heavily in any of its businesses which do not have a clear telecom link. They will either be sold or retained and run on a cash-flow basis.

As the group's out-performance continues, Mr Ollila is optimistic about the short term, saying "our order book, our market position and our products give us a tremendous confidence about the next 18 months".

He is comfortable with analysts' predictions suggesting earnings per share of FM30 this year against FM12.3 in 1993.

Further ahead, the worry is not just about competitors' technological innovation. The company fears that a spurt of undisciplined growth could make it more bureaucratic and less able to respond with speed and flexibility to market demands. "We must be able to manage our growth," says Mr Ollila.

He predicts that "the 1990s and early 21st century will be the era of the medium-sized company. It is the big companies which will be slower to move".

If this proves correct, one of his main tasks will be to ensure that Nokia itself does not become a sluggish juggernaut in the slow lane.

ANZ plans buy-back deal for shareholders

By Nikki Tait in Sydney

Australia and New Zealand Banking group, one of the four big Australian banks, yesterday announced plans to offer a buy-back facility for the new ordinary shares which will result from the conversion of its A\$600m (US\$411m) convertible preference share (CPS) issue in July next year.

The move, which will require shareholder approval, will provide a "convenient facility for CPS holders", the bank said. Mr John Gough, chairman,

said it would have "a positive impact on earnings per share and improve the return on equity for ordinary shareholders".

The 6m CPS were issued in 1991 at A\$100 each. Each will convert at a 10 per cent discount to the weighted average sale price of ANZ ordinary shares during the preceding five trading days. The buy-back price will be that used in the conversion calculation, guaranteeing holders the conversion discount and giving them A\$111 for each CPS.

News Corp pins its colours to television's mast

News Corporation's investments in television will be a major source of growth for the global media group, Mr Rupert Murdoch, chief executive and chairman, said in the company's annual report, Reuter reports from Sydney.

"The investments we have made demonstrate our continued belief in the growth potential of television around the world," Mr Murdoch said. "We believe that the television

industry, whether it be free to air, satellite or pay, will be a major area of growth for this company for the rest of the decade."

Mr Murdoch said News Corp was confident that its Asian satellite broadcaster, Star TV, would achieve greater market penetration in the next 18 months, reaching 90m homes from 42m at present. News Corp has a 64 per cent stake in Star TV.

News Corp also expects higher household penetration for its 50 per cent-owned UK satellite broadcasting company, BSkyB - in which Pearson, owner of the Financial Times, has a stake - aided in part by the continued growth in cable television.

News Corp said more than 700,000 cable households in the UK saw Sky, as did 2.5m homes with satellite dishes.

With dish subscribers growing around 700,000 annually versus 250,000 for cable households, we believe that satellite will be the primary form of distribution in the medium term," Mr Murdoch said.

He said News Corp continued to invest in its base businesses in 1993-94 to keep them competitive. "While we have made significant investments throughout the corporation over the past 12 months, we have also simultaneously con-

tinued to strengthen our financial condition." Debt was reduced by A\$1.8bn (US\$1.33bn).

"We have continued to access the long-term public markets, providing us with long-term financing which more appropriately matches the long-term nature of our investments," he said.

Earlier this month News Corp announced record net profits of A\$1.34bn for 1993-94.

Anglovaal Limited

Reg. No. 050453006
Incorporated in the Republic of South Africa

Results and dividend announcement for the year ended 30 June 1994

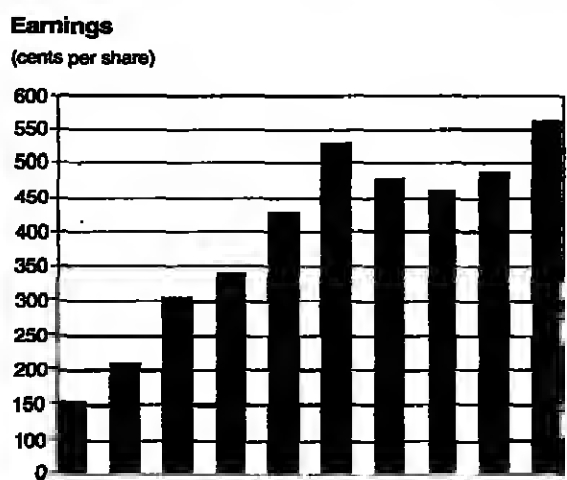
Financial results

The consolidated audited results are as follows:

Group income statement			
	1994 Rm	1993 Rm	Increase/ (Decrease) %
Turnover	9 969.1	8 509.5	17
Operating profit	813.9	719.5	13
Income from investments	60.8	56.6	7
Profit before taxation	874.7	776.4	13
Taxation	252.5	261.3	(3)
Profit after taxation	622.2	515.1	21
Equity accounted earnings	83.6	96.6	(13)
Profit after taxation including equity accounted earnings	705.8	611.7	15
Attributable to outside shareholders of subsidiaries	363.6	316.6	14
Earnings attributable to equity shareholders	342.2	293.1	17
Earnings per share (cents)	567	486	17
Dividend per share (cents)	123	105	17
Number of shares on which earnings per share is based (000)	60 397	60 292	

Source of earnings			
	1994 Rm	%	1993 Rm
Industrial	246.1	72	203.1
Anglovaal Industries Limited	241.2	71	203.1
Anglovaal direct investment	4.9	1	—
Mining	81.6	24	72.1
Anglovaal direct investments	45.8	13	37.9
Middle Witwatersrand (Western Areas) Limited	35.8	11	34.2
Finance	14.5	4	17.9
Net interest and other	342.2	100	293.1

Group balance sheet			
	1994 Rm	1993 Rm	
Capital employed			
Shareholders' interest	3 168.2	2 570.6	
Outside shareholders' interest	2 563.0	2 274.5	
Total shareholders' interest	5 731.2	4 845.1	
Debt capital	200.6	200.6	
Deferred taxation	93.5	110.3	
Long-term borrowings	378.2	234.7	
Employment of capital			
Fixed assets	2 513.7	1 673.4	
Investments	1 655.6	1 533.2	
— associates and subsidiaries not consolidated	1 409.3	1 221.6	
— listed	123.7	130.1	
— unlisted	122.6	181.5	
Loans and long-term debtors	47.2	47.4	
Net current assets	2 187.0	2 136.7	
Current assets	4 814.6	4 197.1	
— stock and debtors	3 216.8	2 690.2	
— deposits and cash	1 597.8	1 506.9	
Current liabilities	2 627.6	2 080.4	
— interest bearing	320.7	180.2	
— other	2 306.9	1 900.2	
Market value of listed investments, associates and subsidiaries not consolidated	3 070.2	1 837.0	
Carrying value of listed investments, associates and subsidiaries not consolidated	1 089.4	903.1	
Net worth per share (rand)	137	105	



Comment

Operating profit improved by 13 per cent from R719.5 million to R813.9 million. This translated into a 17 per cent rise in earnings attributable to equity shareholders from 486 cents per share to 567 cents per share, and the total dividend declared was increased by 17 per cent to 123 cents per share.

The percentage contribution to Anglovaal consolidated attributable earnings from Anglovaal Industries Limited (AVI) was marginally higher than in 1993. At R241.2 million, the contribution was nevertheless 19 per cent higher than the comparative of R203.1 million the previous year. This was achieved by an increase in AVI's turnover of 16 per cent and a reduced effective tax rate, partially offset by pressure on margins. Within AVI, significantly higher relative contributions emanated from AVI Diversified Holdings Limited, Grinaker Holdings Limited and Anglo-Alpha Limited.

The increase in earnings from mining was substantially the result of the higher royalties received from the Venetia diamond mine by subsidiary, Saturn Mining, Prospecting and Development Company (Pty) Limited and increased dividends from gold mining investments held directly and via subsidiary, Middle Witwatersrand (Western Areas) Limited (Midwits). Despite expensing R27.6 million relating to the Sialhook exploration project, the contribution to Group earnings from Midwits increased to R35.8 million.

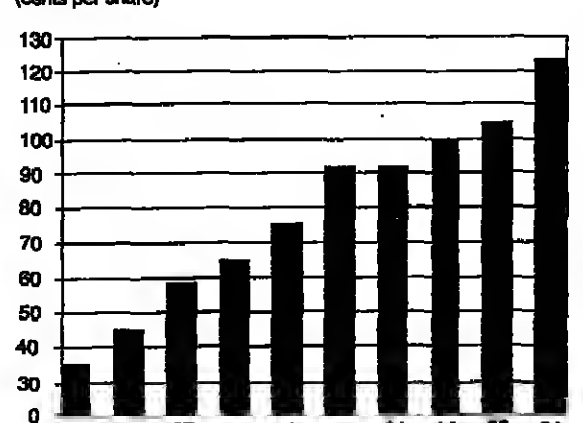
Prospects for the current year

With the prospect of a continuing international economic recovery favourably affecting export volumes and prices, good summer crops, and continued fixed investment outlays in the private and public sectors, the cyclical upswing should continue and gather further momentum in 1995.

There is some concern with the balance of payments position, which remains fragile and susceptible to adverse domestic political developments, and on-going labour problems which may affect investment decisions by domestic and foreign investors.

Within the framework of exciting challenges - internationally, to attract investment, to be able to compete with imports and to enhance our exports, and locally, to remain a responsible profit-oriented corporate citizen of South Africa - Anglovaal has budgeted for an increase in earnings for the current year.

Dividend



Final dividend declaration

Notice is hereby given that final ordinary dividend No. 97 of 88 cents (1993: 72 cents) per share, making a total for the year of 123 cents (105 cents) per share and final N ordinary dividend No. 9 of 88 cents (72 cents) per share, making a total for the year of 123 cents (105 cents) per share, have today been declared payable to holders of ordinary and N ordinary shares, salient dates related to the declaration being as follows:

1994	
Last day to register for dividends and for change of address or dividend instructions	Friday, 21 October
Period during which transfer books and registers of members will be closed (both days inclusive) to determine which members qualify for the dividends	Saturday, 22 to Friday, 28 October
Currency conversion date for Sterling payments to shareholders paid from London	Monday, 31 October
Dividend warrants posted/dividends electronically transferred	Friday, 11 November
The dividends are paid subject to conditions which can be inspected at the registered office or the office of the London secretaries of the Company.	
Annual report circularised (not later than)	Thursday, 20 October
Annual general meeting to be held at 09:00 at the registered office of the Company	Friday, 11 November
Period during which transfer books and registers of members will be closed (both days inclusive) to determine which members may attend the annual general meeting	Saturday, 5 to Friday, 11 November

For and on behalf of the board
B E Hersov Chairman
Clive S Menell Deputy Chairman
22 September 1994

Registered office
Anglovaal House
56 Main Street
2001 Johannesburg

London secretaries
Anglovaal Trustees Limited
33 Davies Street
London, W1V 1FN

Directors: B E Hersov DMS, Hon. L.L.D. (Chairman), Clive S Menell (Deputy Chairman), B L Bernstein Hon. L.L.D., Dr O D Dhlomo, E H Fox, J J Geldenhuys, J R Hersov, Dr E J Mabuza, R P Menell, J C Robbertze, R T Swemmer, R A O Wilson



COMPANY NEWS: UK

New supermarkets help Morrison advance 24%

By Neil Buckley

Wm Morrison Supermarkets, the regional supermarket group, shrugged off intense price competition in the grocery market and beat expectations with a 24 per cent increase in interim pre-tax profits from £38.2m to £47.4m.

The improvement was driven by a 15.2 per cent increase in takings, in spite of what Mr Ken Morrison, chairman, called the "growing tendency for the consumer to seek improved value and lower prices in all purchases", and deflation in many product areas.

Like-for-like sales, which exclude new store openings, increased 4.4 per cent, although the rate of increase had slowed in the second half. "Trading at the moment remains keenly competitive with ever present pressure on profit margins," Mr Morrison said.

He added that sales had been

boosted by the legalisation of Sunday opening, but "the profitability of this development has not yet been confirmed".

Five new stores opened during the first half, with a further two so far in the second half, and one more opening due this year. Morrison is planning to open 10 stores next year, and has begun a refurbishment programme of older stores.

It has secured a £150m revolving credit facility to finance future expansion plans. Total turnover in the half year to July 31 increased 15.4 per cent from £746.5m to £861.8m. The increase in sales was backed by an improvement in gross margins through better buying, and a fall in wage costs. That enabled the group to report a 24 per cent increase in operating profit, from £38.2m to £47.4m, representing an increase in operating margin from 5.2 per cent to 5.5 per cent.

Interest receivable was

higher than expected at £1.3m (£1m). The interim dividend is 0.24p, a 20 per cent increase on last year's 0.2p, with earnings per share increasing 19.3 per cent from 3.38p to 4.05p.

● **COMMENT**

It is tempting to ask how Morrison does it. In what the chairman describes as "undoubtedly a buyer's market" it has increased its gross margin 0.4 points, reduced costs, and achieved a 15 per cent sales increase. Like-for-like sales growth has slowed in the second half, but new store openings are likely to keep total sales growth healthy, and the gross margin is expected to be held or improved slightly. With full-year forecasts upgraded yesterday to about £117m, the shares are on a prospective multiple of 14.4, almost on the market rating. Some might think earnings prospects could justify a small premium to the market.

Express not joining national price wars

By Raymond Snoddy

Lord Stevens, chairman of United Newspapers yesterday undertook to keep the Daily Express out of the national newspaper price wars.

As he announced a 36 per cent rise in pre-tax profits to £68.5m for the six months to June, against £51.7m, Lord Stevens said: "Our policy is to maintain cover prices and enhance the value of our titles to readers."

Associated Newspapers, publishers of the Daily Mail, is also extremely reluctant to cut prices. This means that it is likely the national newspapers middle market will continue to avoid the uncertainty now facing both national broadsheets and the popular tabloids.

United's profits benefited by about £6m from acquisitions such as Hong Kong International Trade Fair and Harmon Homes, the US real estate magazines. There was also a saving of almost £6.5m in reduced interest charges of £2.95m following last year's rights issue.

Operating profit increased by 17 per cent from £51.7m to £68.5m with growth in all business areas apart from national newspapers. Overall operating margins rose from 13.3 per cent to 14.2 per cent. On a like-for-like basis, excluding the effect of acquisitions, operating profit increased by 6.5 per cent.

Lord Stevens warned yesterday that the recovery was still uneven and that the first quarter's rapid growth in revenues had stalled to a more measured pace. "Consumer purchasing remains uncertain and we still await a sustained increase in advertising volume."

Turnover rose from £447.8m to £508.1m. The pre-tax figure included exceptional profits of £390,000, against charges of £1.27m. Earnings per share were 19.1p (16.4p). The interim dividend has been increased by 3.3 per cent from 7.5p to 7.75p.

The national newspaper titles - the Daily Express, Daily Star and Sunday Express - had a turnover similar to last year with a 6 per cent increase in advertising revenues counteracting lower circulation revenues.

All three titles lost circulation with the Daily Express down 9 per cent, although United said it had now slowed at 1.34m and started to rise in September, and the Daily Star down 3 per cent.

United is at the moment looking at possible exhibition and business magazine acquisitions in the US and the east Asia.

Mr Derek Turrington, media analyst at stockbrokers Kleinwort Benson said the profits were £4m higher than expectations but he was sticking with his full year forecast of £139m, compared with £118m.

The shares moved from 498p to 500p on the day.

Unquantified charges dash investors' hopes of increased dividend

Laura Ashley plans restructuring

By Peggy Hollinger

Laura Ashley, the clothing and furnishings retailer, yesterday dashed hopes of an increased dividend with its second profits warning in a year.

The group said unquantified restructuring charges expected in the second half would hit full-year profits. This meant it would be unlikely to pay anything more than a nominal dividend this year, similar to the level indicated three weeks ago, since when the market has fallen by about 6 per cent.

The scale of charges would be determined by an extensive costs review, expected to be completed in January. The warning accompanied the announcement of interim pre-tax profits up from £1.3m to £5.1m, after net gains of £2.2m covering disposals and exceptional charges.

Gross profit rose 3 per cent to £50.1m (£47.4m), on sales

also of £148m (£144m).

Shareholders, who have remained loyal through several years of restructuring, are likely to be sharply disappointed with the company's comments. Earlier this year, hopes were raised of at least a marginal increase in the payout after the final results.

"Investors have been holding out for a while now in the hope that these results would show they had managed to turn round the US and get to grips with stock problems," said one analyst. "None of these things has occurred."

The company also announced that it would not look for a chief executive until the cost review had been completed. A new management team had been put in place following the departure of Mr Jim Maxima, as chief executive, and Mr Andy Higginson, as

finance director.

Mr Geoff Haslehurst, commercial director, has become finance director and Mr Graham Searle, former managing director of Dunhill, is to continue as managing director for the time being.

Mr Haslehurst admitted that the prospects of further restructuring had been disappointing to the group and shareholders alike. However, costs were too high.

Laura Ashley would also have to tackle further stock problems, although these were not expected to have a substantial adverse impact.

The retail business returned flat sales in the first half on a like for like basis, but by difficulties in the garment business. These had been addressed and current sales were up by 5 per cent on a like for like basis in the UK, 13 per

cent in North America and were flat in Europe. There is no interim dividend. Earnings were 1.21p (0.22p).

● **COMMENT**

Just when shareholders thought they had truly earned a respite from the bad news at Laura Ashley, the group comes up with this. Based on its own calculations of what returns should be, the second-half charges could be as much as £20m-plus. Even more worrying is the thought that it will not look for a chief executive in the short-term. If anything, Laura Ashley needs a strong figure to balance what appears to be a resurgent family interests. However, it tried that once without success. Excluding the uncertain charges, forecasts have been pulled back from £10m to £7.5m. This is not one for the faint-hearted.

Graystone turns in £4.13m

By Peter Pearce

Graystone, the engineering company, reported pre-tax profits of £4.13m on turnover of £36.2m for the first half. In the comparative period, the group was known as Parnigan Holdings and was a mini-conglomerate with interests which included flowers, hotels and sausage skins. Profits then were £200,000 pre-tax on turnover of £9.9m.

Mr Dick Richardson, the chairman and chief executive who has overseen the metamorphosis - in operation, management and financial control - since his arrival in June 1992, said the results were the

first with all the acquisitions in place.

These included three engineering companies from Prospect Industries - which Mr Richardson originally floated out of Tace - Cableform and British Syphon Industries.

He said that there were still non-core activities - two hotels and a publishing business - within Graystone, but that there were profitable and accounted for less than 2 per cent of group turnover. They would be sold when the right price was offered, he said.

Borrowings of £4.1m at December 31 had been reduced to £1.2m at June 30 through the sale of non-core businesses.

Mr Richardson expected that, thanks to the cash generative nature of the equipment and electrical distribution divisions, the group would be cash positive by the end of the year.

The acquisitions contributed operating profits of £2.14m on turnover of £17.2m, while continuing operations made £1.98m (£714,000) on turnover of £16.9m (£9.98m).

Exports were "minuscule a year ago", now direct exports accounted for 12 to 14 per cent of turnover and indirect exports for about 25 per cent.

Earnings per share were 1.45p (0.57p) and a final dividend of 0.14p is recommended for a total of 0.24p (nil).

CLS makes £8.37m at six months

By Simon London, Property Correspondent

CLS Holdings, the property investment company majority-owned by Sweden's Morstestad family, yesterday reported pre-tax profits of £8.37m in the first half of 1994, compared with a loss of £1.49m last time.

Excluding exceptional items, though, the company's first set of figures since making its stock exchange debut in May showed a profit before tax from continuing operations of £1.95m, against £575,000 before.

After adjusting for transactional completed since flotation, net assets per share were 125p.

The first interim dividend is 0.4p, although the Morstestad family, who own 53 per cent of the shares, have agreed to take a scrip alternative.

Irish Permanent plans October flotation

By Alison Smith

Irish Permanent, Ireland's largest building society before it converted to plc status, is coming to the market late next month.

The company is planning to raise £50m (£49.4m) capital and is expected to be capitalised £182.9m. Just under half the shares are being made available to people who were members of Irish Permanent when it was a mutual organisation, while the remainder have been placed with institutions in Dublin and London.

Mr Roy Douglas, chief executive, has made it clear that the society's decision to become a public company was based primarily on the desire to be able to raise equity capital, in order to compete more effectively with banks.

He has emphasised, however, that Irish Permanent would

not actively be seeking acquisitions after conversion. Instead it would be looking for a period of consolidation, after its recent purchases of Prudential Life of Ireland, the life insurance company, and Guinness & Mahon, where the main activity is private banking.

Its strategy is to continue to expand its retail financial services business, broadening its range of services and making more use of its extensive branch network.

With some 79,000 mortgage accounts and 590,000 savings accounts, Irish Permanent has a strong position in the Irish retail financial market, but its cost-income ratio is the highest in the industry in Ireland.

Some 30.8m shares are being offered at 180p each. A forecast final dividend for the year to December is 6p, giving an annualised gross dividend of 12p, the offer price of 6.67 per cent.

ED&F Man offer price cut to 180p

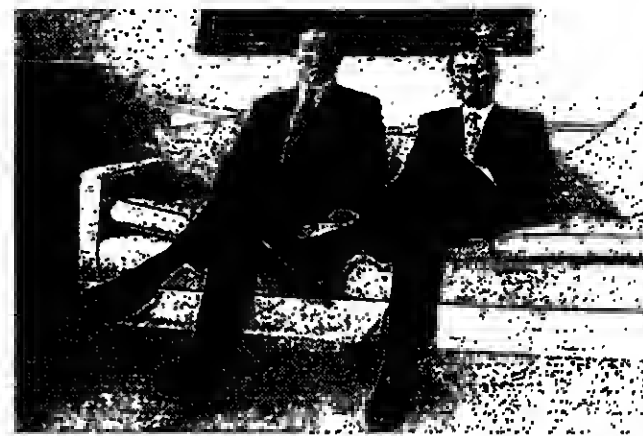
By David Wighton

The flotation price for shares in ED&F Man has been cut by more than 15 per cent from the level indicated three weeks ago, since when the market has fallen by about 6 per cent.

The offer price of 180p announced yesterday gives a notional yield of 6 per cent and a multiple of actual historic earnings of 9.5. It values the commodity trader and financial services group at £462.6m.

The prospectus warns that a disappointing investment performance from the group's fund management arm will lead to a "substantially reduced contribution" from the division this year. In the year to March 31 1994 it made £25.5m out of a group £57m.

Analysts believe fund management profits may fall by up to 50 per cent but that strong growth from agricultural prod-



Stanley Fink (left), group finance director, with Harvey McGrath, group managing director, discussing the flotation price cut

ucts and futures broking side will more than make up the shortfall. Group earnings per share are expected to increase by around 10 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Alumasc	4.45	Nov 24	4.025*	6.5	5.875*
CLS	0.4	Nov 18	-	-	6.25
Dagenham Motors	21	Nov 18	1.75	-	1
Endie	0.3	Dec 1	0.3	-	0.3
Edmond Holdings	0.15	Dec 2	0.15	-	0.3
Fact (EW)	1.94†	Nov 14	1.76	-	4.74
Gest	3.7	Dec 30	3.7	8.1	8.1
Graystone	0.14	Dec 14	nil	0.24	nil
Green (Ernest) S	3.25	Dec 7	4.25	6	7
Gulnuss	3.9	Nov 10	3.62	-	12.8
Hampden S	0.2	Nov 25	nil	-	nil
Headlam	1.7	Nov 11	0.85	-	3.2
Highcroft Inv	2	Nov 3	1.5	-	5.2
Ind Control Serv	3.5	Oct 28	3.07	5	4.4
Jerome (S)	0.5	Nov 9	0.2	-	0.5
Joyes	3.3	Dec 30	3.3	-	8.1
Lloyd Thompson	5.4†	Nov 18	4.7	7.8	8.7
McAlpine (A)	3†	Nov 30	3	-	6.5
McDonnell Int	2.3	Oct 28	3	-	-
More O'Farrell	3.2	Nov 11	3.2	-	13.2
Monieon (Wm)	0.24	Nov 7	0.2	-	1
Murray Ventures	8	Nov 30	7.5	11.5	10.9
Pantheon Intl	0.5	Dec 1	0.5	0.5	0.5
PizzaExpress	1	Nov 18	-	2	-
Premium Trust	1.75	Aug 31	-	-	2
Ricardo	4†	Nov 30	3.8	8	5.7
RMC	7	Dec 1	6.8	-	2.39
Sponder	0.75	Jan 12	0.7	-	-
Towry Law	3	Nov 17	-	4.5	-
TT	3.2	Oct 26	2.6	-	6.6
United News	7.75	Dec 2	7.5	-	22

Dividends shown pence per share not except where otherwise stated. †On increased capital. SUSM stock. * Adjusted for sub-division. † Adjusted for scrip issue.

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Preliminary Results FOR THE YEAR ENDED 30TH JUNE 1994

TURNOVER	£'000	
	42,409	+3%
OPERATING PROFIT	13,999	+22%
PROFIT BEFORE TAXATION	18,233	+5%
DILUTED EARNINGS PER SHARE	14.36p	-3%
DIVIDEND	7.8p	+16%

For a copy of the 1994 Annual Report please contact:

The Secretary, Beaufort House
15 St Botolph Street, London EC3A 7LT
Telephone 071 247 2345 Fax 071 247 4488

ABTRUST ATLAS FUND

Registered Office:
Luxembourg, 13 Rue Goethe, RC Luxembourg 827 229

DIVIDEND NOTICE

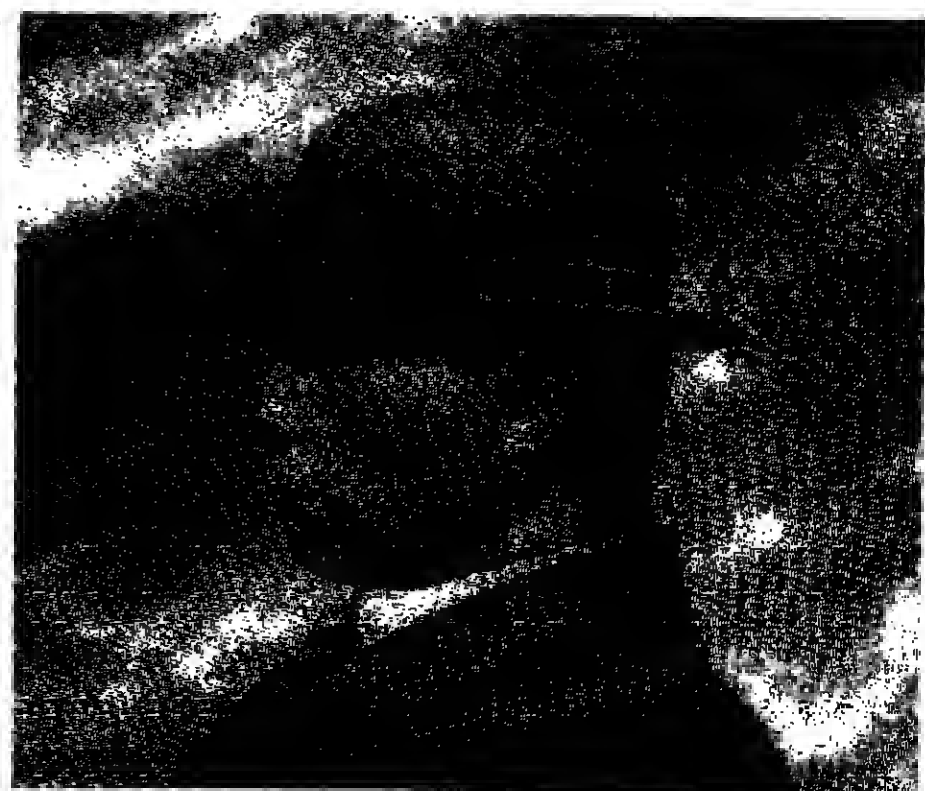
At a meeting of the Board of Directors held on 15th September 1994, it was resolved to pay the following dividends:

Starling Portfolio	20.0382 per share
Dollar Portfolio	US\$0.0486 per share

to shareholders on record on 15th September 1994 with an ex-dividend date of 16 September 1994 and a payment date of 23 September 1994.

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COMPANY NEWS: UK

Shares fall as damage to banana production takes toll

Geest warns of second half loss

By David Blackwell

The aftermath of the tropical storm that severely damaged banana production in the Windward Islands will push Geest, the fresh and chilled food group, into the red in the second half.

Shares fell 30p to 190p yesterday following the warning from Mr David Sugden, chief executive, who presented a strong set of interim results. Pre-tax profits rose from £2m to £17.9m for the six months to July 2 on turnover ahead at £263.8m (£232.7m).

"The business has been performing well, but is overshadowed by considerable uncertainty," said Mr Sugden, referring to the European Commission's laxity in responding to the company's plea for permission to purchase replace-

ment bananas in Latin America.

The EC banana management committee failed to agree on Wednesday on measures that would allow Geest to purchase alternative bananas from Latin America under the EC quota system. The committee does not meet again until October 5.

Tropical Storm Debbie hit the Windward Islands earlier this month, causing extensive flooding around St Lucia and damage to roads and bridges. Geest, which is under contract to ship all the islands' bananas, estimates that output will be 40 per cent down.

Last week the first ship to arrive since the storm was half full. The company is expecting to load only 2,400 tonnes a week, compared with a normal load of 4,000 tonnes. The first half, however,

showed the company recovering from the uncertainties surrounding the EC banana regime, introduced last July, as well as an attack of disease on its Costa Rican plantations, which left it £5.4m in the red at the end of last year. Operating profits in the fresh produce division improved from £2m to £15m on sales of £285.5m (£276.5m).

The food preparation division, which supplies chilled salads and other products, lifted operating profits from £3.3m to £4.2m on sales of £66.6m (£54.4m).

The result this time included an exceptional gain of £2.5m from a disposal. Net interest payable rose from £500,000 to £3.2m.

Earnings per share were 18.5p (2.7p). The interim dividend is unchanged at 3.7p.

COMMENT

While the problems of disease in Costa Rica appear to have gone away, Geest's troubles with the European Commission and the banana regime are not over yet, thanks to Tropical Storm Debbie. In spite of its successful efforts to boost its food preparation division, the group remains vulnerable to the banana industry, which is highly political and subject to natural disaster. It has also only two main areas of supply, leaving it looking inflexible beside companies that source more widely. Adding to its problems is gearing of more than 100 per cent. Best guesses at this year's final outcome seem to be around £3m of profits - better than last year but a far cry from 1991's £26.2m. See Commodities

Alumasc rises 18% and makes £7m buy

By Paul Cheeseright, Midlands Correspondent

Alumasc Group, the Kettering-based company, capped a year of 18 per cent profits growth with the acquisition of Pendock Profiles for a maximum of £7m.

Pre-tax profits for this company with interests in building products, beer kegs and precision components were £2.89m (£7.55m) for the year to June 30. Turnover rose 21 per cent to £54.5m (£44.5m) with ME Holdings, acquired in September 1993, contributing £5.1m.

A final dividend of 4.45p is proposed making a total of 8.5p (5.875p) paid from earnings per share of 19p (16.9p).

Alumasc is paying an initial £4m in cash for Pendock, a casing and trunking systems maker. There is a further profit-related payment to a maximum of £3m in loan notes.

During the year to last December, Pendock, a privately owned company formed in 1986, made operating profits of £800,000 on sales of £3.4m. Net assets at December 31 were £230,000. Based in Telford, Shropshire, it employs 34 people.

Alumasc's operating profits rose to £8.66m (£7.28m) including £1.17m from ME. The sharpest rise came from the building products side to £4.6m from £3.1m, on the back of increased activity in the construction industry. Alumasc managed to hold its margins firm helped by bringing on stream new products.

Precision components profits were held back by investment in new plant and equipment, the benefits of which should be seen this year. Profits from the traditional beer keg business rose 3 per cent.

At the end of the financial year, net cash balances of £7.6m and shareholders' funds of £23.3m, a rise of 8.4 per cent over the year.

Mr John McCall, chairman, said: "Alumasc will now benefit from any growth in the UK economy" but warned of "the challenge of handling rising raw material costs".

Improved AB Electron behind TT's 58% rise

By David Wighton

Profits at TT Group jumped by 58 per cent from £9.42m to £14.5m in the six months to July 2, reflecting the continued turnaround at AB Electronics, acquired for £38.6m, including debt, in January 1993.

Earnings per share rose by 81 per cent to 10.2p (7.6p) and the dividend is up 23 per cent at 3.2p (2.6p).

The main improvement came from the electronics and industrial division, which includes AB and Magnetic Materials, company acquired in 1992. Profits jumped from £7.17m to £10.8m. On increased sales of £169m (£149m) margins improved from 4.8 per cent to 6.3 per cent.

Mr John Newman, joint chief executive, said he expected further improvements in margins, though AB has some long-term contracts at low margins and a large board assembly business.

AB's automotive business was back in profit and bad weather climate control contracts with Saab and Opel.

Mr Newman said there were significant opportunities for AB in export markets. A new sales office was opened in Singapore at the beginning of the year to boost sales in east Asia.

The rest of the business, which joined the group with Crystal, the electronic components company acquired in 1990, is doing very well in North America, but France remains weak.

The division was expanded last month via the £16m acquisition of Dale Electric. TT said the improvement in its companies reflected the

benefits of capital expenditure against a background of "some hesitancy in the improvement of world economies".

Profits from packaging and building services edged ahead to £4.22m (£4.2m) and £406,000 (£381,000) respectively.

Group operating profit rose to £15.4m (£11.8m), while the interest bill dropped to £461,000 (£2.33m) following last year's £51.4m rights issue.

TT still has net cash of nearly £4m after the Dale deal and Mr Newman said there were a large number of acquisition opportunities with prices "much better" than earlier in the year. "But we will get Dale bedded down before we do our next major acquisition."

The shares rose 5p to 377p. A one for two capitalisation issue is proposed.

Towry Law advances to £2.82m

By Bethan Hutton

Towry Law, the independent financial advice chain which floated last November, reported pre-tax profits up 16 per cent from £4.43m to £5.12m, after listing costs of £327,000.

Mr Cecil Law, chairman, said: "This has not been an easy year. Both our UK financial planning and general insurance broking divisions are operating in what are currently difficult markets, created by such factors as an unsettled investment climate and rate softening in general insurance."

The company has plans for a "major cost management programme", which will hit profitability in the first half of the year, and could involve some job losses. It also plans to invest more in information technology, training and compliance.

However, Mr Law said encouraging signs for the company included a 13 per cent increase in new business, a 16 per cent rise to £6.2m for renewal income and fees, and 34 per cent growth in income from international financial planning.

Mr Alan Wesley, chief executive, said that although Towry Law did not expect to have to pay any compensation as a result of the SIB enquiry into pension transfers, it had made a "substantial provision" for the extra cost of temporary staff who might be needed to re-examine old files to comply with SIB rulings.

Trading profits rose 26 per cent to £3.06m. Earnings per share grew 14 per cent to 11.6p (10.2p). A final dividend of 3p (1.6p) makes a total of 4.5p (3.6p) - a 25 per cent gain.

Jeyes falls £1.3m into red and chief executive replaced

By Peggy Hollinger

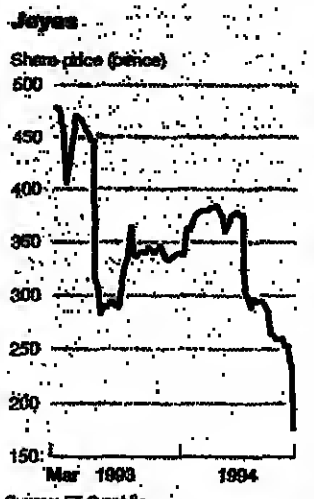
Shares in Jeyes Group plunged to their lowest levels in almost six years, as the cleaning products company fell into the red for the first half and announced the resignation of the chief executive who led the £5m buy-out from Cadbury Schweppes in 1986.

Mr Jimmy Moir, the Scottish entrepreneur credited with turning round Jeyes after the buy-out, is to be replaced by Mr David Callear, former deputy chief executive and finance director. Mr Moir will remain deputy chairman.

Mr Callear was brought in to Jeyes after the May profits warning which took 11 per cent of the group's share price.

Yesterday, the market knocked a further 25 per cent off the shares which closed at xxx. This is the lowest since January 1989, and compares with a high over the last 18 months of 471p.

Mr Callear said the first half results had been disappointing. Jeyes announced pre-tax losses



of £1.27m, against profits of £374,000, after exceptional charges of £1.7m for marketing expenses and stock. Sales were 2 per cent higher at £59m for the 26 weeks to July 16.

He warned that the long-awaited recovery was still some way away. "Trading remains difficult," he said. "We

are still under pressure."

Jeyes has suffered from intense competition from supermarkets and discounters selling cheaper own label and generic products. The group undertook a restructuring 18 months ago, which was now largely complete.

In the first half, the group had realised savings of about £1.7m, Mr Callear said. However, increasing costs of operations such as logistics meant savings for the full year might not be much greater.

Mr Callear said Jeyes was confident that in spite of its tough trading environment it would be able to make progress. "We are able to see the light at the end of the tunnel," he said. "There might have been a time when it was difficult to locate the tunnel."

Margins, which fell by about 2.5 percentage points in the first half, had begun to stabilise, but at lower levels.

The interim dividend was held at 3.3p. Losses per share were 4.3p against earnings of 1.2p last time.

Strong sales help Spandex score £3.3m

By David Wighton

Spandex, the distributor of computerised sign-making equipment, increased pre-tax profits by a third to £3.3m in the first half on the back of strong sales in most of its main markets.

Turnover rose 17 per cent to £38.9m, with an underlying rise of 11 per cent boosted by the acquisition in March of what is now Spandex France.

Earnings per share increased by 37 per cent to 6.3p (4.6p) and the interim dividend edged up to 0.75p (0.7p).

Mr Charles Dobson, chairman and chief executive, said: "Performance in all territories continues to advance and as the economic climate improves Spandex will benefit further."

In the UK sales overall were up by 21 per cent. Sign-making computers surged by 58 per cent, which the company attributed partly to the release of pent-up demand previously stifled by economic uncertainty.

The increase also reflected the introduction of the Gerber Edge product. Sales in Germany rose by 6 per cent in

local currency terms and Spandex is to spend £2.1m on a warehouse which should be completed in the first quarter of next year.

The net interest bill fell from £293,000 to £67,000.

Increased capital expenditure will push up gearing in the short term, but the company stressed that "the expected rise in net debt is foreseen as being well within historic highs."

The shares, which have trebled in the last two years, added 5p to an all-time high of 260p.

By Kevin Done, Motor Industry Correspondent

Multipart, the UK vehicle parts distributor company rescued from the collapse last year of Daf, the Dutch commercial vehicle maker, achieved a net profit of £1.5m on a turnover of £48m in its first trading period, the five months to the end of December, 1993.

It has long-term supply con-

tracts with the three manufacturing businesses salvaged from the former Daf group, namely LDV, the Birmingham-based van producer, Leyland Trucks, the Lancashire truck assembler, and Daf Trucks, the Dutch heavy truck maker.

Multipart said that it was seeking to expand by winning additional logistics contracts both inside and outside the motor industry. The company

is investing £5m in computer systems.

Multipart was rescued by a management buy-in team led by Mr Alan Simpson, former managing director of Land Rover Parts, with the backing of £17.3m in equity capital provided by Philburt Ventures, the UK venture capital arm of Union Bank of Switzerland, and a £20m long-term loan from National Westminster.

NEWS DIGEST

EW Fact shares fall on warning

Shares in EW Fact fell 31p to 100p yesterday after the professional tuition company reported lower than anticipated interim results and warned that the second half would also be below expectations.

The company said that student enrolments had been disappointing as a result of changes in an accountancy syllabus and the recession causing low recruitment of trainees and restricted training budgets.

The first half had also included full provision for litigation relating to Vetax Advisory Services, a dormant subsidiary.

Turnover for the first half of 1994 advanced to £5.04m (£4.44m) including £2.66m from acquisitions. The figures included almost a full contribution from Accountancy Tutors, acquired in January.

Pre-tax profits doubled to £1.21m (£602,000) but the plac-

ing and open offer to fund the purchase left earnings per share lower at 4.57p against 5.36p.

However, the group remains confident of prospects and the interim dividend is raised to 1.94p (1.76p).

Biocure reduces deficit to £0.7m

Biocure Holdings, the USM-quoted healthcare products group, reduced pre-tax losses from £1.3m to £0.7m in the year to June 30. Turnover nearly doubled from £1.92m to £3.77m.

For the three months to June, Hypoguard, the main trading subsidiary, achieved pre-tax profits of £89,000 on turnover of £1.27m and the company said profitability continued to be satisfactory in the current year.

Losses per share were cut to 2.12p (4.16p).

Hazelwood Foods sells caterer to MBO

Hazelwood Foods has sold its Saint Martin Food Products catering subsidiary to its man-

agers for £5m. The business, based in Acton, west London, provides catering services to airlines and airport caterers.

The buy-out is led by Mr Trevor Stephens, Prudential Venture Managers arranged the equity capital, with senior debt provided by Bank of Scotland.

Additional funding of £2.4m has been secured to be used for working capital and also for a planned move to new premises in the new year.

Russian bank lifts Middlesex stake

The Russian joint stock commercial bank, Vozrozhdeniye, is to buy another 50.7m shares at 5p each in Middlesex Holdings, the metal mining, recycling and trading company.

The bank currently holds 4.7 per cent of share capital in the USM-traded company.

Purchase of the second tranche of shares, for £2.54m, would bring its holding to 12.3 per cent.

Middlesex also intends to enter into a joint venture with the bank to provide trade finance for companies worldwide.

The BIEE memorial award for Andrew Holmes

A fund has been established in memory of the distinguished *Financial Times* journalist and editor of *Power in Europe*, Andy Holmes. The British Institute of Energy Economics (BIEE) is to give an annual research award of £1,000, subject to finding a suitable candidate. The arrangements are being administered by BIEE. The award is open to men and women between the ages of 21 and 35, resident in the United Kingdom, and who are interested in energy issues.

Applicants should submit a two-page original and non-technical research proposal related to energy or to energy and the environment, and likely to lead to a 5,000-10,000 word paper. This proposal should reach the address below by October 31, 1994 with a cover note giving details of address, phone and fax numbers plus university or company affiliation, if any. A shortlist of applicants will then be drawn up and interviewed in London in December. The winner will receive half the money on winning the award and the remainder on completion of the paper. The results will be announced in early 1995.

The aim of the award is to encourage young managers, postgraduates and others to think about the wider issues of energy policy. Topics could include the European Energy Charter, global warming, the impact of China's economic growth on energy demand, policy on the development of alternative transport fuels, the future of nuclear power, third party access to transmission grids etc. These are purely illustrative. The judges do not wish to specify a precise topic, but the subject matter and final essay should be fully comprehensible to a non-scientific or non-technical audience. The winner may be asked to present his or her findings at a BIEE meeting, and the resulting paper may be published in shortened form in the *FT Energy Economist*.

Applications should be sent to: Lucy Plaskett, FT Newspapers, 126 Jermyn St., London SW1Y 4JY. Fax: 071-411-4415.

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INTERIM RESULTS AT A GLANCE

	26 weeks ended 31 July 1994	26 weeks ended 31 July 1993	32 weeks ended 30 Jan 1994
Turnover	£361.8	£748.5	£1538.4
Operating profit	£48.5	£39.1	£100.9
Profit before tax	£47.4	£38.8	£37.8
Earnings per share	4.05p	3.38p	8.53p
Dividend per share	0.24p	0.2	1.0p

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Interim report and statement may be obtained. The Secretary, Wm Morrison Supermarkets PLC, Hildon House, Thornton Road, Bradford BD8 9AX

The Financial Times plans to publish a Survey on World Nuclear Industry on Thursday, November 3.

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FT Surveys

NORTEL INVERSORA S.A.
USD 78,200,000 - Series A Senior Notes due 2001
USD 124,200,000 - Series B Senior Notes due 2001

Nortel Inversora S.A. has called meetings of holders of its Series A Notes and Series B Notes, to be held on October 14th, 1994 at 10:30 A.M. at San Martin 638, 2nd Floor, Buenos Aires, Argentina, to consider the following agenda:

- To elect the chairman and the secretary of each meeting.
- To appoint two Noteholders to inspect the votes and sign the minutes of each meeting.
- To waive the restriction on incurrence of indebtedness contained in paragraph 6(b) of the terms and conditions of the Notes to permit the issuance of certain securities in the future.

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For the Interest Period 22nd September, 1994 to 22nd December, 1994 the Notes will carry an Interest Rate of 6.25% per annum with Interest Amounts of U.S. \$889.67 and U.S. \$2,221.68 for Notes with original principal amounts of U.S. \$100,000 and U.S. \$250,000 respectively payable on 22nd December, 1994.

Bankers Trust Company, London Agent Bank

COMPAGNIE BANCAIRE
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Floating rate notes due 1995 initial Tranche \$200,000,000

For the interest period 21 September 1994 to 21 December 1994 the notes will bear interest at 5.9375% per annum. Interest payable on 21 December 1994 per \$100,000 note will amount to \$1,480.31.

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COMPANY NEWS: UK AND IRELAND

Alfred McAlpine at £3.1m for eight months

By Christopher Price

Alfred McAlpine, the housebuilding and construction group, yesterday reported a rise in pre-tax profits of £3.1m for the eight months to June 30. The company has changed its year-end to December and for the six months to April 30 1994 there were pre-tax profits of £394,000 against losses of £2.74m.

Turnover for the eight months was £449.7m, against £316.6m for the six months to April 1994. The dividend is held at 3p, payable from earnings per share of 3.1p.

The company raised £25m from shareholders in June in order to fund its land purchasing programme.

Net debt at June 30 stood at £49.5m, representing gearing of 27 per cent.

Sir John Milne, the chairman said that the contracting and construction division continued to endure tough trading conditions, resulting in operating losses for the eight months of £1.95m on turnover of £291.6m.

For the corresponding six months of the previous year there were operating losses of £121,000 on turnover of £148.3m.

Mr Ken Lever, finance director, said it would be some time before the division returned to the black. "There are a lot of contracts being undertaken on low margins. It may be 1996 before we see any return to profitability."

He added that the company



Sir John Milne: tough trading conditions remained in contracting

was keeping under review all areas of its contracting business and those unable to show a potential to return to profits faced possible closure. He refused to elaborate on which areas of the business were most susceptible.

The strong recovery in the housing market in the early part of the year had weakened during June and July, Mr Milne said, but higher sales reservations in August boded well for the traditionally stronger market in the autumn.

Operating profits in the housing division were £7.82m on turnover of £82.7m. For the

first six months last year, the figures were £2.04m and £43.04m respectively. Mr Lever said the division would remain the engine of growth for the group while the rest of the business stabilised.

In the US, an operating loss of £545,000 was reported on turnover of £50.2m.

Mr Lever said improvements in the contracting business would enable the US business to return to profitability in the second half, although it would not improve on 1993's contribution. Then pre-tax profits came in at £1.68m and operating profits were £1.33m.

CRH makes £14m US purchase

CRH, the Dublin-based construction and building materials group, has bought Rotonda for \$22.5m (£14.2m) in cash including assumed debt.

Rotonda is the leading supplier of precast concrete enclosures to telephone and utility companies in the north east of the US. It is also a major national supplier of precast concrete prison cells.

In the US, CRH's operations are organised under its holding company Oldcastle, into four core business groups: architectural products, materials, glass and precast. The Precast Group is a major supplier of precast telecommunication, utility and environmental products in the Western and south-eastern US.

Mr Myles Lee, general manager-finance, said the acquisition would extend the geographical coverage of CRH's precast operations in the US. CRH already had substantial precast activities in the west and south of the US, but wants to increase its presence in the north, he said.

Mr Jim Schack, president of the CRH's precast group, said that the synergies of bringing Rotonda and the Precast Group together involved not only products and territories, but also the sharing of Rotonda's engineering and production know-how with the group's other facilities in the US and internationally.

CRH's shares closed up 3p at 361p.

Growth in controls offset increased losses in specialist engineering

Industrial Control rises 16%

By Peter Pearce

Strong growth in the controls division enabled Industrial Control Services, the safety systems, controls and specialist engineering company, to report a 16 per cent increase in pre-tax profits from £5.23m to £7.22m in the year to May 31.

The share price slipped 4p to close at 141p.

Mr Peter Hall, chairman and chief executive, said the rises in both profits and group turnover - which expanded to £85.5m (£72.9m) - were achieved on the back of strong growth in the controls division,

which offset increased losses in specialist engineering and a small decline in safety systems profits.

However, he stressed that although the controls and safety systems markets had not, in general, shown growth, the group had adopted a "one-stop" policy towards its products and markets. For example, an offshore oil or gas rig could use the Bailey ICS joint venture to supply the process control, ICS for the safety system, Brisco for the wellhead and subsea control, and Transmission for the "intelligent" computers to oversee all this plant.

Most of the growth, Mr Hall said, came from retrofitting and upgrading rather than new projects. Again, the Shell Supply contract for the updating of platforms to the North Sea had performed strongly.

Although the Middle and Far East were showing the most growth in the world and contributed about 40 per cent of group sales, the North Sea still chipped in a similar percentage.

Profits in controls increased to £4.97m (£3.6m), which included a full-year contribution of £316,000 from Brisco, acquired at the beginning of

1993. Divisional turnover was up at £38.5m (£30m).

Safety systems made £5.44m (£3.55m) on turnover of £38m (£38.5m), while specialist engineering incurred losses of £1.33m (£90,000) on turnover of £13.6m (£10.3m).

These losses, Mr Hall said, were mostly the result of heavy R&D expenses at Sava, which makes security devices for computer installations and which is now seeing £250,000 of trading per month.

Earnings per share rose to 10.64p (8.79p) and a final dividend of 3.5p (3.07p) makes a total of 5p (4.4p).

Higher margins lift PizzaExpress

By Caroline Southey

An improvement in margins in all divisions of the PizzaExpress restaurant chain helped lift pre-tax profits at the year end by 75 per cent and turnover by 41 per cent.

Pre-tax profits rose from £1.41m to £5.56m, including a £688,000 contribution from discontinued operations. Turnover rose from £15.7m to £26.8m with sales at company restaurants, which numbered 36 at the year end, rising by 14.5 per cent.

PizzaExpress came to the market in February last year

in a reverse takeover by Star Computer Group. In February this year Star Computer was sold for £2.2m.

Mr David Page, managing director, said the Comet Garden and Salisbury restaurants had got off to a "spectacular" start. Margins in all operating divisions had improved in the last year, although the company was mindful of the "value versus profit" equation, he said.

Mr Glen Tomlinson, finance director, said restaurant margins had improved from 12 per cent to 20 per cent and from 16 per cent to 19 per cent in the

wholesale division. The improvement in restaurant margins was mainly due to increased sales combined with cuts in labour costs, he said.

Eight new restaurants were opened and five were acquired from franchisees. Capital expenditure stood at \$4.5m and the average build cost of new restaurants stood at £278,000.

Franchise fee income from the 37 franchised restaurants was 10.5 per cent higher than last year. A further two franchises opened in Leicester and Southampton in July.

Spend per customer rose

from £8.40 to £8.53.

Mr Page said a target of 86 restaurants had been set for 1995, more than half of which would be company owned. New sites had been identified in six cities for company restaurants.

He said the company was aware that restaurants within greater London showed a "more immediate profit" than those outside. But PizzaExpress was committed to "spreading the gospel of good pizza" throughout Great Britain.

Earnings per share rose from 8.6p to 6.5p. A final dividend of 1p (nil) was proposed.

More O'Ferrall 35% ahead at £2.8m

By Simon Davies

More O'Ferrall, the UK's biggest poster advertising group, increased profits from its UK and Irish operations by 78 per cent, but interim profits were held back by the impact of the recession in Europe.

Pre-tax profits for the six months to June 30 rose 35 per cent to £2.81m (£2.08m), on an increase of only 7 per cent in group turnover to £33.6m (£31.5m).

The UK division was the driving force. The Advertising Association forecasts a 7 per

cent increase in the poster market this year, the highest since 1988, but More O'Ferrall lifted its UK and Irish revenues by 15 per cent, and profits rose to £1.7m (£958,000).

Mr Russell Gore-Andrews, chairman, said the group had succeeded in pushing through meaningful price increases for poster space. It also benefited from a programme of converting bus shelter sites to the higher value added Adshel Superette format.

The group is broadening its coverage of Ireland, having previously focused on Dublin.

The Belgian market, its most profitable a year earlier, achieved flat revenues and a marginal increase in operating profit, in Belgian franc terms. Devaluation of the franc left its contribution virtually unchanged at £1.13m.

France was worse affected, with operating profit well down at £256,000 (£303,000). Mr Gore-Andrews said cost-cutting measures had been put in place that would reduce overheads by £500,000 per annum, and this should benefit the performance in the second half of the year.

Taiwan continued to perform strongly, with operating profit rising from £148,000 to £177,000, and More O'Ferrall is currently looking to expand further into South East Asia.

Interest costs fell from £744,000 to £464,000, reflecting lower interest rates and debt reduction. However, capital investment is on the increase, with about £10m of expenditure expected in 1994. It spent £2.4m in the first half.

The interim dividend is maintained at 3.2p, while earnings per share rose to 5.7p (4.4p).

Nobo expands into Europe with £6m deal

Nobo Group, the office and business products supplier, is expanding into continental Europe with the acquisition of the De Visu Companies, four private companies based in France under common control, for an aggregate £6m.

An initial consideration of £5.2m will be satisfied as to £3.9m in cash and £1.3m by the issue of 544,746 new ordinary

shares to the vendors. The balance is profit-related.

Nobo also announced an open offer of 4.88m new ordinary shares on a 2-for-5 basis to raise about £10.2m net. The proceeds will finance the cash element of the acquisition and a deferred £1m consideration for the Elite Optics purchase, completed on September 13. The balance will be used to

reduce the enlarged group's debt.

The placing and open offer are fully underwritten by Granville Davies.

The De Visu Companies comprise De Visu, Lara Audiovisuel, Comevi and Artels. They make visual display and training products and drawing office equipment. For 1993 losses amounted to about £2m

on turnover of about £18m. Sales are principally to trade distributors within France, with about 10 per cent relating to exports.

Nobo is also proposing that, following the acquisition, its share premium account be reduced by £16m to £500,000 to be transferred to a special capital reserve against which any goodwill may be written off.

NEWS DIGEST

Eadie shares dive 20%

Shares in Eadie Holdings fell by 20 per cent or 5p to 20p yesterday after the general engineering group reported pre-tax profits down from £850,000 to £262,000 for the first half of 1994.

Mr Peter Bromwich, chairman, attributed the setback to the downturn suffered on the roll cages and wheelchairs business, and interest charges up from £128,000 to £167,000.

However, he was confident that actions taken in improving product and manufacturing facilities, coupled with an increased order book in most of the group, would lead to a second half improvement.

Turnover was little changed at £13.45m (£13.56m). Earnings per share declined to 0.32p (1.09p) but an unchanged interim dividend of 0.5p has been declared.

Midland Assets reverse takeover

Midland Assets, which was created in May to acquire four nursing homes from Northern Leisure, is expected to announce today a reverse takeover by a bigger healthcare company in the Midlands.

The deal is likely to leave Midland, whose shares closed last night unchanged at 19p, with approaching 20 healthcare premises.

Midland initially raised £2.4m via an intermediaries offer of ordinary shares and paid £1.9m cash for RealCare nursing homes.

Edmond returns to the black

Edmond Holdings, the housebuilder, returned to profit in the six months to June 30. Pre-tax profits were £130,000, compared with losses of £187,000, on turnover up 10 per cent from £5.7m to £6.28m.

The turnover was achieved on 116 completed sales at an average price of £54,100 (102 at an average £55,800).

Earnings per share were 0.26p (0.26p losses) and the interim dividend remains at 0.15p.

Ernest Green and Partners Holdings, the USM-quoted consulting engineer, reported pre-tax profits down from £773,000 to £419,000 in the year to June 30. Mr David Legg, chairman, said it had been another tough year for the construction industry.

Turnover was lower at £7.37m (£7.68m). Earnings per share came out at 3.6p (6.6p) and a final dividend of 3.25p is proposed, cutting the total from 7p to 6p.

Bilston Enamels in profit midway

A return to more normal trading enabled Bilston & Battersea Enamels, the USM-quoted maker of enamel boxes, to turnaround from a £186,000 loss to a pre-tax profit of £33,000 for the first half of 1994.

Turnover grew 40 per cent to £2.65m and earnings per share came to 0.1p (2.7p losses).

Mr Roger Foster, chairman, pointed out that because of the importance of pre-Christmas trading, the company's profits were primarily obtained in the second half. "Sales and orders in the third quarter indicate that the full year should end satisfactorily," he added.

Cassell halves losses to £179,000

Cassell, the book publisher, almost halved its pre-tax losses in the six months to 30 June, from £345,000 to £179,000, on the back of turnover up 9 per cent from £8.52m to £9.26m.

The company, which came to the market in June, reported an interim operating profit of £51,000 against a loss of £43,000.

Losses per share were reduced from 17.7p to 7.3p.

Heritage setback in second half

A setback to trading in the second half resulted to a loss for the period at Heritage, the USM-quoted housewares distributor.

On sales up from £11.8m to £12.7m, the company reported a pre-tax profit of £105,000 for the year to April 30. This compared with £115,000 at the mid-way stage, which was also the same sum as for the whole of the previous year.

The company said trading had been affected by a kiln explosion at its main ceramic supplier and poor sales and lower margins at the discount end of the market.

Earnings per share worked through at 1.85p, compared with 2.14p.

Highcroft slightly lower at £597,000

Highcroft Investment Trust, a financial trust, reported slightly lower pre-tax profits of £597,000 for the six months to June 30, against £611,000 last time.

Earnings per share were 7.4p (7.9p) including gains on assets disposals or 6.5p (same) excluding these. The interim dividend has been stepped up to 2p (1.9p).

Exceptional gain doubles Norcor

Pre-tax profits at Norcor Holdings, the corrugated board manufacturer, more than doubled for the half year ended June 30, from £1.37m to £4.01m. The rise was due to an exceptional gain of £3.1m, representing interest waived by venture capital loan note holders at the time of the company's flotation in May. The gain itself was partly offset by an exceptional interest charge of £500,000.

Operating profits were down 41 per cent, from £2.53m to £1.51m, on reduced turnover of £19.2m (£20.3m).

Earnings per share were 24.3p (10.6p). The maiden dividend will be recommended with the final results.

S Jerome shows sharp improvement

S Jerome & Sons, the textiles concern, saw pre-tax profits increase from £25,000 to £221,000 in the first half of 1994. Turnover was up 15 per cent at £14m, against £12.2m.

Earnings per share climbed from 0.5p to 2.5p and the interim dividend has been raised to 0.5p (0.2p).

Mr Alan Jerome, chairman, said machinery activity was at encouraging levels and he was cautiously optimistic that this improvement would be maintained for the rest of the year.

Cluff Resources losses at £0.58m

Cluff Resources, the minerals and oil and gas exploration group, reported increased pre-tax losses of £583,000 for the first half of 1994. Losses last time were £543,000.

Increased turnover of £12.2m (£6.67m) reflected the higher gold production and gold price together with the acquisition of Aberfoyle group in the second half of 1993.

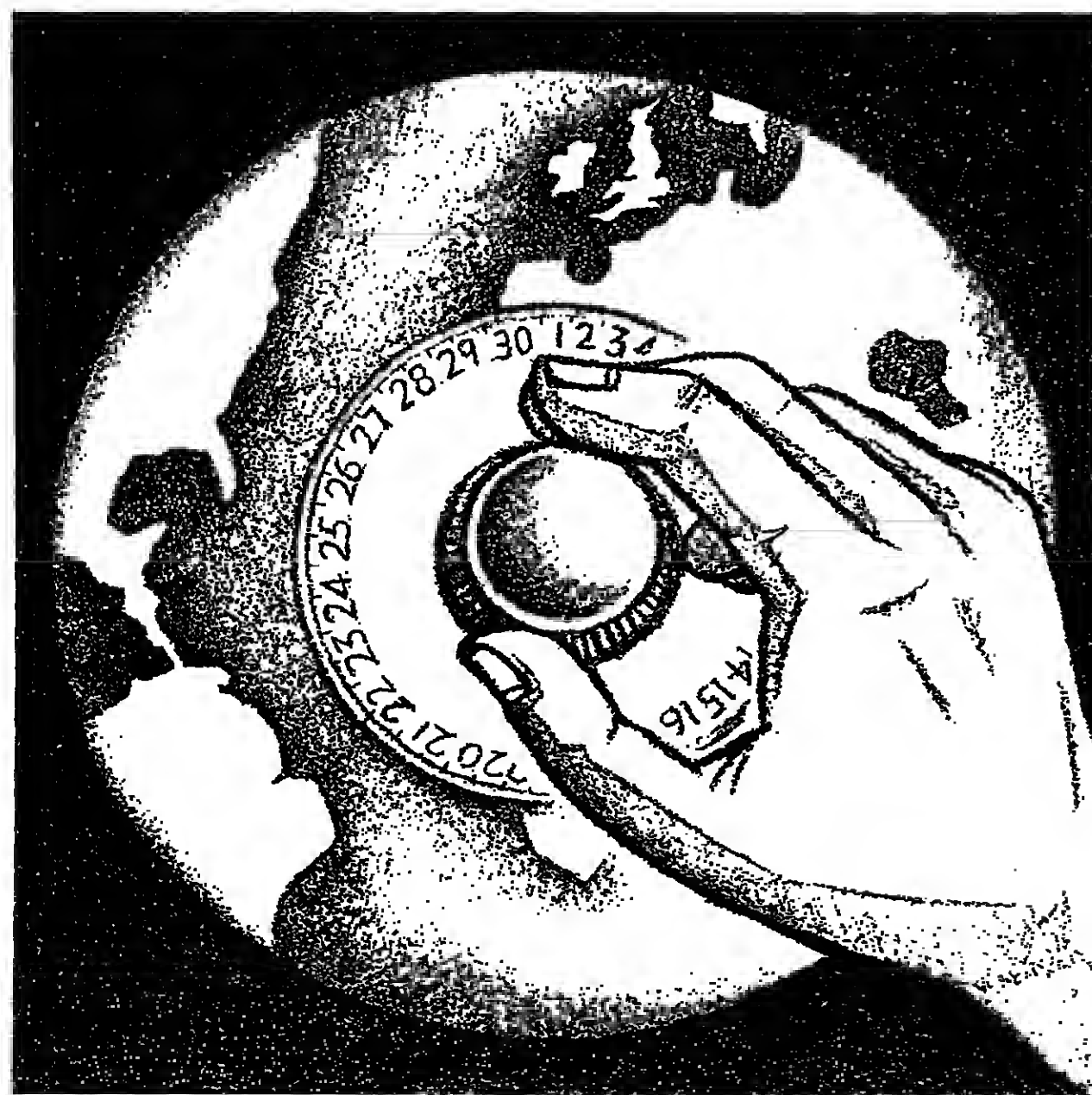
Losses per share amounted to 0.91p (1p).

Murray Vent lifts asset value to 372p

A significant increase in activity at Murray Ventures helped the investment trust to raise net asset value per share to 372p at the end of the year to July 31. This marked a 7 per cent rise from 348.6p at the same stage in 1993.

The company said it had been a record year for unlisted investments, which came to £31.4m.

The increased final dividend of 8p makes a total for the year of 11.5p (10.9p). Earnings per share were 13.85p (12.79p) restated to reflect a change in accounting policy.



On Friday, September 30 all will be revealed.

On Friday, September 30 the FT IMF/World Economy Survey will be published with the Financial Times. Its publication is on the eve of the most important date in the financial calendar, the IMF/World Bank Conference, which this year will be held in Madrid.

The survey will include extensive coverage of both macro and micro economic issues, analysis of financial and business trends in selected countries and regions, plus an authoritative assessment of the world's financial markets.

There will also be profiles of some of the world's most influential financial decision makers. It will in fact, be an essential document as background to the proceedings in Madrid as well as an invaluable up-date on financial developments throughout the world.

Financial Times. Europe's Business Newspaper.

COMPANY NEWS: UK

Disappointed market knocks 49% off share price

MDIS misses target with £5m

By Alan Cane

The share price of McDonnell Information Systems, the Hemel Hempstead-based computing services group, halved in value yesterday after interim results which were substantially below market expectations.

The shares fell by 49 per cent from 216p to 112p. On Wednesday, Aerostructures Hamble, the former British Aerospace aircraft components subsidiary, floated in May, suffered a 50p drop in its share price to 73p, after it warned of difficulties with several contracts.

Pre-tax profits at MDIS for the six months to June 30 were £5.1m - 33 per cent down on the £7.53m achieved in the comparable period, and up to £4m short of analysts' forecasts.

Mr Jerry Causley, chairman, pointed to delays in decision making in the public sector, which had pushed a number of orders into the second half of the year, and a failure

to sell more copies of its flagship banking software package. There would be some improvement in the second half, but full-year results would inevitably be below those of 1993.

MDIS is the latest in a series of computing services companies which have produced disappointing and unexpected results after floating.

Turnover fell to £68.6m (£70.4m). Earnings were 28 per cent down at 3.38p (4.68p). An interim dividend of 2.3p will be paid.

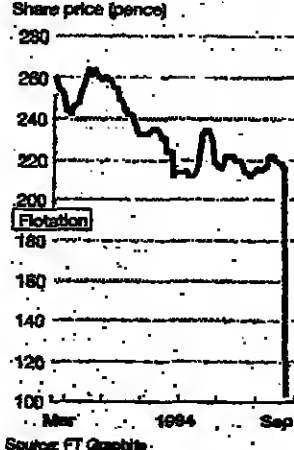
MDIS came to the market in March at 260p a share through a placing and public offering which valued the group at £260m.

The placing and offer was the biggest in the information technology sector this year. The company had previously been the subject of a management buy-out from McDonnell Douglas of the US.

Mr Causley said the underlying performance had been strong, with trading margins maintained in the public sec-

MDIS

Share price (pence)



Source: FT CompuLink

tor, commercial and industrial business areas.

Some of its current difficulties are expected to be resolved in the second half, when a number of public sector orders, including four large police contracts, are expected to come through. Research and devel-

opment, on which an extra £750,000 was spent in the first half, is expected to return to budget.

Mr Causley warned, however, "Local government business has been impacted by increasing uncertainty following the Banham Commission's recommendations and the health business, following a good first half is also seeing slippage in order confirmations."

The performance of the banking package PRO-IV is critical. MDIS made its first sale to the Austrian Kredit Bank last year, but has failed to find other buyers.

The complete package costs up to £5m, so a small number of orders could make a significant difference to the year's outcome.

MDIS's broker, NatWest Markets, has cut its estimate of pre-tax profit for the year to £17m - 11.4p of earnings - from £25.7m, and anticipates only £19m in 1995.

It predicts a dividend of 7p a share for both years.

US demand lifts Ricardo

By Richard Wolfe

Strong demand from US car producers helped to lift turnover and pre-tax profits at Ricardo, the consulting engineer, for the year to June 30.

The group reported pre-tax profits of £4.45m, up from £2.68m last year, which included losses on discontinued operations and property provisions. Before exceptional items, pre-tax profits last year stood at £4.11m.

Turnover was £62.9m against £55.6m including £5.59m from discontinued operations. Sales were 82 per cent ahead in North America and 48 per cent in the Pacific Basin.

However, a good performance by the group's consulting engineers was offset by a 26 per cent drop in turnover from its aerospace division, which now aims to refocus on the industrial gas turbine market.

Sir Philip Foreman, chairman, said: "We are pleased with these results which have been achieved despite difficult

trading conditions, but reflect the strong organic growth potential of the business."

In June the company announced a rights issue of 10.5m shares to help fund the £13.6m acquisition of FF Developments, the transmission and chassis engineer. Receipts from the issue helped to reduce gearing from 15 per cent to nil.

FF Developments is now charged with marketing the Ricardo Differential, which was hailed last year as a "revolutionary" limited slip differential gear for family cars.

In March, Ricardo spent £2.28m (£1.43m) acquiring Airflow Sciences Corporation. The Detroit-based company, which looks at fluid flow and heat transfer problems, is expected to bring in new power stations which need to reduce emissions.

Earnings per share amounted to 8.4p (4p). The proposed final dividend is 4p (3.5p) giving a total of 12.4p (7.5p).

Mr Stratton Mills, the chairman, said he was cautiously optimistic that the profit progress could be maintained to the end of the year and beyond.

Earnings per share amounted to 0.59p compared with 0.89p losses while an interim dividend of 0.2p (nil) is declared.

Hampden's shares, which trade on the USM, closed 2p higher at 30p.

A turnaround from pre-tax losses of £198,000 to profits of £207,000 was announced by Hampden Group for the 24 weeks to June 18.

The Belfast-based retailer, which operates Texas Homecare stores, Allied Carpets franchises and runs a joint venture with Fwilk-Fit Holdings, lifted turnover from £13.9m to £16.5m for the period.

Dagenham Motors up 39%

Dagenham Motors Group has continued its recovery with pre-tax profits up 39 per cent from £1.3m to £1.81m for the six months to June 30. Turnover rose 20 per cent from £84.5m to £101.7m.

Sales of both new and used cars were up 17 per cent, with August figures substantially ahead of last year, said Mr David Philip, chairman. The order book indicated that sales in the second half would be "at least as strong".

Finance and insurance income from vehicle sales saw a 36 per cent increase, partly due to "more realistic underwriting policies".

Following the rights issue in March, Dagenham acquired the Ford franchise for Woking and Weybridge, fulfilling its aim to encircle London with a ring of Ford and Iveco dealerships.

The interim dividend rises to 2p (1.75p) and earnings per share were 5.7p (5p).

CONTRACTS & TENDERS

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COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that an international bidding is open for design, supply, shipment, field erection and operation start-up of four (4), 11.0m diameter Penstocks for the Salto Caxias Powerplant, located at Capão Leão/Marques and Nova Fátima do Iguaçu county border, in the State of Paraná - Brazil.

The total weight of the supply is approximately 3,400 metric tons of steel. This lowest price type international bidding is open solely to individual companies or joint ventures.

The Bid Documents, will be available to bidders from September 5, 1994 to September 30, 1994, against payment in Brazilian currency equivalent to US\$ 150.00 (one hundred fifty American Dollars), at the following addresses:

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Telefone (55-41) 322-1212 - Ramal 541
Telefax (55-41) 331-3265

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Alameda Santos, 1.800 - 14º andar - conj. 14B
01418-200 - São Paulo - SP
Telefone (55-11) 289-1431

At the time of Bid Documents purchase, all companies shall present a letter containing their complete mailing address.

The receipt of Pre-qualification and Bid Documents is scheduled for November 9, 1994, at 3:00 PM, at COPEL's office meeting room, in Curitiba, 233 Voluntários da Pátria Street, 5th floor.

The Bidding will be ruled by Law nº 8.666, dated June 21, 1993, with alterations introduced by Law nº 8.663, dated June 5, 1994 and by other conditions stated herein and in the Contract Documents.

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For further information, please contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Spencer House, Cliftonville Road, Northampton NN1 5BU. Tel: 0604 34480. Fax: 0604 32297.

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STATE PROPERTY AGENCY

INVITATION FOR TENDERS

- The State Property Agency (hereinafter: SPA) announces an open, one-round tender for the purchase of the state-owned shares held in Club Tihany Rt. The issued capital of the Rt: HUF 657,000,000. Bids can be submitted for the block of shares representing 76% of the issued capital, in the nominal value of HUF 499,100,000. When buying the shares bidders shall pay the purchase price as follows:
 - a minimum of 30% is payable in cash.
 - a maximum of 10% can be paid in compensation notes.
 - a maximum of 60% can be paid in instalments.
- Bidders shall agree to maintain their bid firm for 90 days.
- Closing date for submitting bids; November 8th, 1994 12-14.00hrs. Bids to be submitted at: the official premises of the State Property Agency, at Budapest, 1133 Pozsonyi ut 56. 8th Floor, Room No 804.
- Bids shall be submitted at the address indicated, in a sealed envelope not showing the sender, in 6 copies, in Hungarian. Foreign bidders may also submit their bids in English or German language, beside the Hungarian copy. In this case, however, the Hungarian version shall govern. Bids shall be submitted during the open hours of the deadline, in the presence of a notary public. The following text shall be written on the envelope: "PALYAZAT, Club Tihany Rt"
- Bidders shall mark the original copy, with the text "EREDETI" ("ORIGINAL"). Should the bidder fail to do so, the Opening Committee shall pick one of the copies received to fill in the function of original from then on. In case of any discrepancy among the copies, the contents of the copy so marked shall govern. In case of personal delivery, the receipt of the bids shall be proved by the voucher made out by the person taking delivery of them. The State Property Agency maintains the right to declare the tender failed, or to invite a second round of tenders, or to call on the bidders to make additions to their bids.
- A precondition of submitting the bids is the purchase of the tender document, which also contains the detailed invitation for tender for HUF 30,000 + AFA (for non-residents USD 300 + AFA) at the Client Service Office of the State Property Agency (1133 Budapest, Pozsonyi ut 56). Upon the purchase of the tender document a statement of confidentiality shall be signed. The invoice proving the purchase of the tender document shall be attached to the bid submitted. Further information can be obtained at the Industry Privatization Directorate of the State Property Agency from Mrs Bana Karolyne, Deputy Director.

Phone: (+361) 118 5365
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or from Mr Barna Istvan, the chairman of the Board of Directors of Club Tihany Rt:
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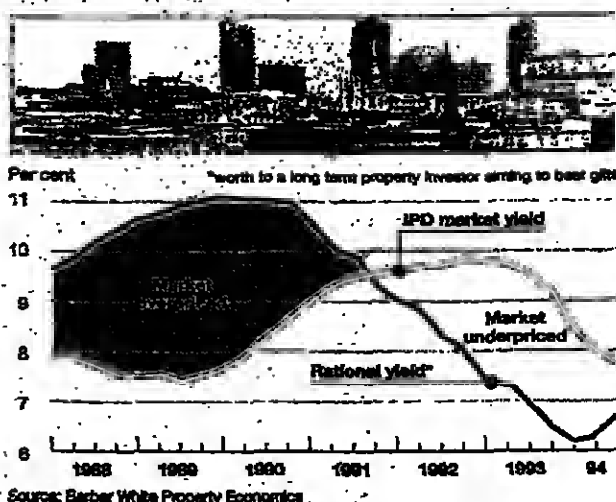
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PROPERTY

Facts and forecasts

Simon London on the paucity of credible market analysis

The information gap



Source: Barber White Property Economics

ward rather than a threat to the valuers' art.

The Mallinson report on valuation, published earlier this year, came out broadly in favour of forecasting:

"We... see it as an area in which surveyors, with the aid of other skills, can offer valuable insight to clients. But we see [forecasting services] as distinct and believe they should be kept very carefully distinct from the practice of valuation."

This attitude is broadly shared by investors. "We are inclined to use forecasts more and more, although the jury is still out on their performance," said Mr David Hunter, head of property investment at Scottish Amicable.

Forecasters see themselves as giving investors the tools to make better decisions - closing the credibility gap between property and other financial assets.

"Our job is to help property fund managers approach their asset allocation committees on equal terms," said Mr Colin Barber of forecasting consultancy Barber White.

Yet the limits of forecasting are a matter for hot debate.

Some are doubtful about forecasters' ability to predict the market at all.

"All property market projections are based on macroeconomic forecasts which themselves have a poor record," said Mr Chris Brown of Manchester consultancy Kenrick Brown. "It is also possible that the factors which drive the property market change over time, but not in a linear way."

Investors are sceptical about using forecasts to guide anything other than broad decisions on asset allocation.

Local markets react to

local factors which can

not be predicted," said

Mr Hunter. "We would

never buy a shop we did not

like simply because the fore-

casts told us to."

Even zealots admit that fore-

casting down to regional or

local level is tricky. "As the

scale becomes smaller, the task

of forecasting becomes progres-

sively more difficult," said Mr

Bryan MacGregor, professor of

land economy at the University

of Aberdeen.

Factors such as new develop-

ments, which are especially dif-

ficult to predict, are much

more important at local level.

Moreover, economic data for

particular towns is simply not

available. If these problems

can be overcome, though, fore-

casters see the biggest gains to

be made at local level because

these markets are least effi-

cient.

"The market gets less effi-

cient the lower down you go.

We should be able to add more

value at the level of a town or

an individual building," com-

mented Mr Andrew Baum of

Real Estate Strategies, the fore-

casting company now linked to

fund managers Henderson

Administration.

So what of attempts to use

rental forecasts and discounted

cash-flow techniques to value

individual buildings? Property

companies increasingly use

such methods when deciding

whether to make strategic

investments. Retailers such as

Boots model underlying cash

flows before deciding whether

to buy or lease individual

shops.

Again, the Mallinson report

came down in favour of greater

use of discounted cash-flow

techniques by the property

profession. But it envisaged such

methods being used in combi-

nation with - not in place of -

traditional valuations based on

market evidence.

Some would like to go fur-

ther. The collapse last year of

hotels group Queens Moat

Houses caused many investors

to question property valuations

in company accounts. Two

firms of surveyors - Wetherall

Green & Smith and Jones Lang

Wootton - came up with

widely divergent valuations of

the company's assets.

The British Association of

Hotel Accountants has since

proposed a method for valuing

hotels for accounting purposes

based on discounted cash flow

analysis.

This was rejected by RICS

last month, on the grounds

that the worth of a property to

an investor need not be the

same as its open market value.

The distinction is critical. It

is the difference between

underlying worth and open

market value that forecasters

and their clients are trying to

identify and exploit.

Whether they can do so suc-

cessfully over the long term

remains an open question. But

if the growth of forecasting

increases understanding of

what drives the market - and

helps investors feel more com-

fortable about holding property

in their portfolios - it will

have proved its worth.



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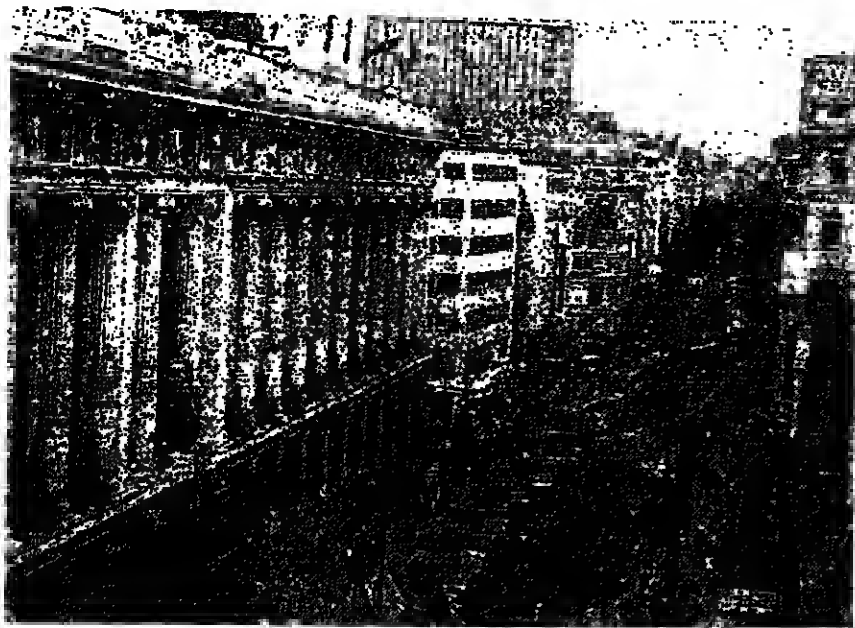
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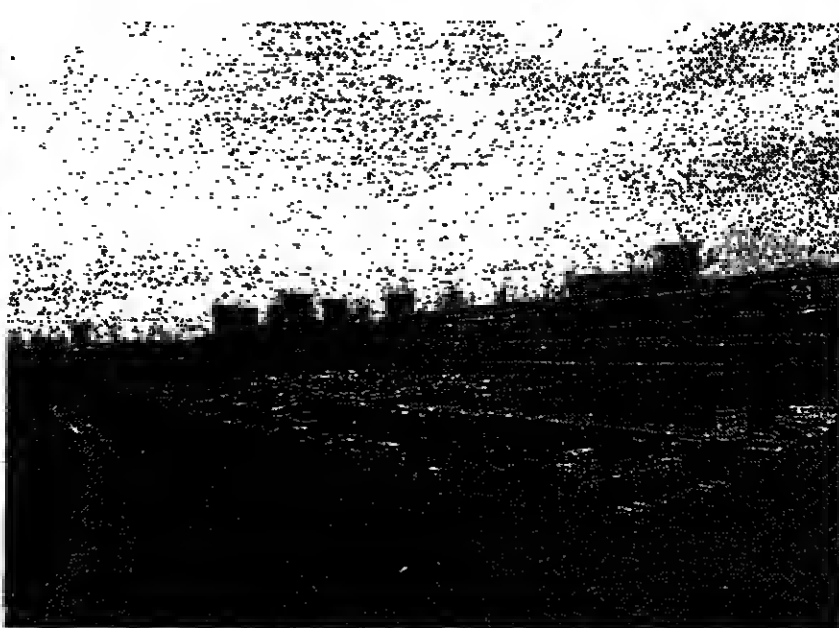
FINANCIAL TIMES SURVEY

PROPERTY IN LONDON'S WEST END

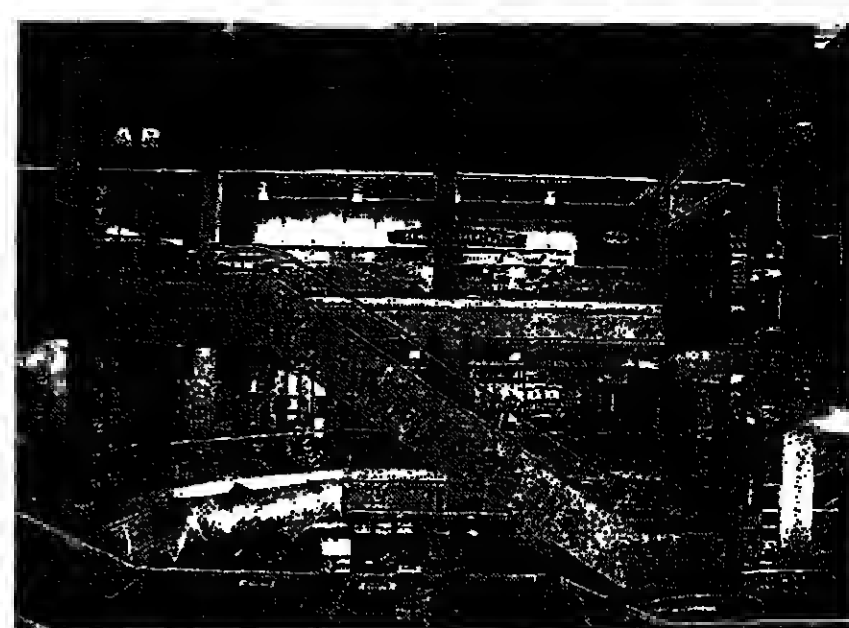
Friday September 23 1994



Eastward view down Oxford Street: the pace of retailing picks up



Redevelopment prospect view from Bishop's Bridge Rd, Paddington



The Trocadero shopping and leisure complex in Piccadilly

Tower cranes and concrete lorries, symbols of a virile commercial property market, could soon be starting to re-emerge in London's West End where rents for top quality new buildings are rising for the first time in five years.

Development plans are being tentatively dusted off as land owners and development groups consider whether the time is now right to begin construction again.

At first glance, prospects for London motorists finding their passage blocked by fleets of building material lorries and contractors plant would seem unlikely.

According to City University Business School, there remains a "chronic oversupply of sub-standard second hand office space in the West End" leaving too many landlords chasing too few prospective tenants. The university has drawn its conclusions after studying the findings of 10 of the largest commercial agents in the capital.

Jones Lang Wootton and St Quintin, two of the agents, estimate that there are still about 8m sq ft of empty office space in the area compared with the 3.25m sq ft estimated by Jones Lang Wootton to have been occupied last year by West End tenants. On the basis of last year's take-up the area would appear to have at least two years supply of ready built accommodation.

However, says City University, new development is still needed because the general oversupply of offices is masking a shortage of new large buildings - particularly in the core area of Mayfair and St James, one of Britain's richest property

markets and favoured for prestige corporate headquarters.

Prof Piers Vennart-Rowland, of the university's business school, says: "The situation has become acute. There remains significantly less than one year's supply of new accommodation available and, for large occupiers seeking in excess of 100,000 sq ft, there are no new buildings currently available."

"They [the figures] should make alarming reading for those businesses seeking large new offices in the West End. Many people have become used to the idea that there is far more office space available in central London than there are tenants to fill it."

"In general terms they are right but for those high profile, internationally orientated businesses looking for top quality space there is very little to choose from."

Rents, according to Jones Lang Wootton, have started to rise for quality buildings in prestigious locations. More important, landlords have been able to reduce some of the rent free periods and other sales incentives they have been offering tenants.

A recent landmark letting was achieved at the 95,000 sq ft Almack House in King Street which is to be occupied by international bankers J.P. Morgan at an initial rent thought to be £42.50 a sq ft.

This is well short of the £80 plus achieved in Mayfair and St James at the

Call of the wide open spaces

Despite the abundance of empty offices, rents are rising and developers are dusting off some long deferred projects, writes Andrew Taylor

end of the 1980s but nonetheless represents an important breakthrough, breaching the psychological £40 a sq ft barrier.

Jones Lang Wootton expects headline rents will reach £50 a sq ft next year. It says average rents of £65 a sq ft in 1989 in Mayfair/St James had fallen to a low of £35.50 in the second quarter of last year but have since risen to about £37. Rent free periods of 2½ years offered as a sales incentive to reluctant tenants at the

24,000 sq ft at 28/31 Hill Street.

The agents say the supply of available offices in the postal districts of W1, SW1, WC1 and WC2 peaked at 11m sq ft during 1982 as tenants' needs reduced due to business rationalisations and a sharp rise in company liquidations.

At the same time, the number of new buildings coming on to the West End market rose sharply reflecting the fruits of the late 1980s building boom. By the third

IN THIS SURVEY

Politicians and planners, Development options PAGE 18. Paddington's muddy waters 18. Shops gloom eases, UK funds return IV. District by district, Who the users are V. Photos by Dan Burgen (except where credited otherwise)

height of the recession have fallen to about 18 months, says the agency.

Other important West End lettings this year, according to St Quintin, include: Saudi International Bank which took 46,000 sq ft at No 1, Knightsbridge; Allied Dunbar Insurance, 31,000 sq ft at 120 New Cavendish Street; Cable London, 30,000 sq ft at Central Cross, 2 Stephen Street; and Hongkong and Shanghai Bank Corporation

quarter of 1992 empty buildings represented 13½ per cent of the areas stock of offices. St Quintin says the vacancy has dipped below 10 per cent although still well in excess of the 3 to 4 per cent required for a healthy market. "It is worth remembering," it says, "that in the late 1990s, when the market tightened considerably, the vacancy rate dropped to 1 to 2 per cent, which was equally unhealthy."

prompt further rent rises before they embark on high risk new developments which will only proceed if substantial pre-lets can be achieved.

Many companies which might have been considering a move within the West End remained trapped by high rent leases, negotiated many years ago and which they are unable to reassign - the commercial property equivalent of negative equity.

New tenants are reluctant to commit themselves to traditional long leases with upward only rent reviews. "It is quite difficult to secure a tenant for longer than 15 years," according to St Quintin which says "break clauses" at the 10th or even the fifth year "are not unknown".

New investment also is unlikely to take place while substantial rent free periods are still available. Older, poor quality buildings will remain very difficult to let while tenant demand in the absence of new construction is likely to be concentrated on refurbished second hand buildings of high quality.

This points to the development of a two tier market with rents rising modestly for quality space as shortages emerge. Poorer quality buildings where there is still a large over-supply will remain very difficult to let, rents will remain static and sales incentives will be slow to disappear.

Tenants have become more cost conscious during the recession and the general oversupply of accommodation will continue to act as a brake on the market preventing a rapid escalation in rents even for the best quality offices.

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Bishopsbridge occupies a 13.5 acre site stretching from Little Venice to Paddington Station. When completed, it will house a total of 1.4m sq.ft. of new, quality office accommodation plus 210 apartments and 40,000 sq.ft. of retail space with extensive onsite car parking. In designing Bishopsbridge great emphasis has been attached to creating an outstanding new working environment and much has been made of its waterfront and public squares linked by tree lined boulevards.

Bishopsbridge will be built solely in response to identified demand and tailored precisely to meet tenant needs.

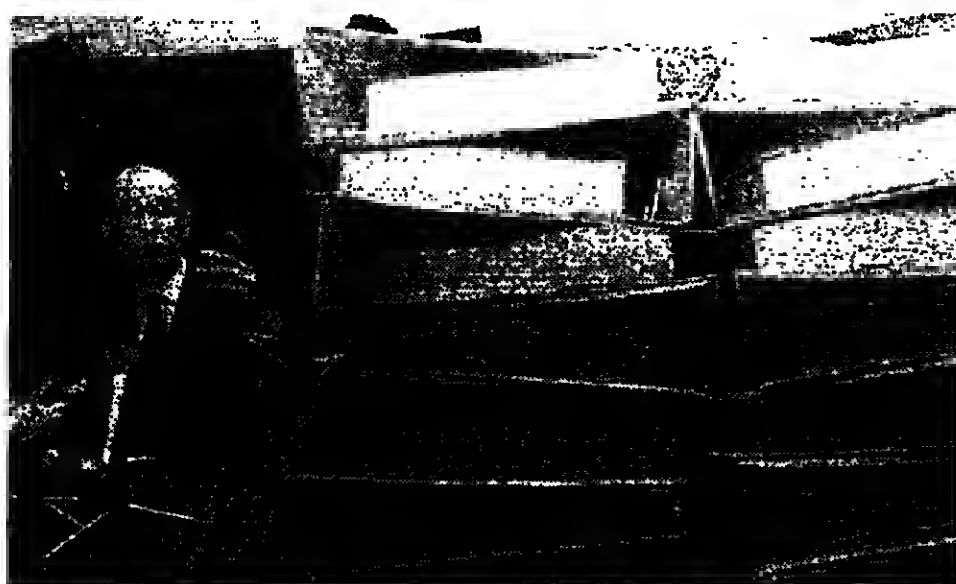
The scale, quality and specification of Bishopsbridge creates a fundamental change to the London office market.

For more information contact: Charles Spencer, Project Director on 0171-493 9618/9 or the Development Consultants.

PROPERTY IN LONDON'S WEST END II

Christine Moir reflects on where politics ends and planning begins

Westminster lifts the lid



Politicians' critic: auditor John Magill, who accused Westminster of unlawful housing sales. Picture: Reuters

ady Porter now spends a lot of time abroad and the notorious Designated Homes sales programme may have abruptly halted. But the scandal of how the Tory Westminster Council strove to buy votes by turning the disaffected into home owners on the cheap still rumbles on.

The Unitary Development Plan for the city has now been re-examined by the District Auditor and by Mike Laws, a retired County Planning Officer for Shropshire, to see if the entire housing policy has been flawed by what are described as "contaminated motives" i.e. gerrymandering. Their reports are expected shortly.

Meanwhile, it has recently emerged that Porter's administration may have had a fine sense of self preservation in trying to buy votes. Boundary changes may soon threaten the Tories' age-old hegemony over Westminster, turning the district into a potential marginal.

But it would be wrong to dismiss Westminster's housing policy out of hand. Long before Porter all Westminster's local governments laid special emphasis on maintaining a strong residential element in every part of the city. The most recent requirement - that developments involving increased office space must provide matching amounts of self-contained residential units - is compatible with the post-war history of planning in Westminster.

Westminster's approach to planning has always been very different from the City's. The latter welcomes offices so long as they meet design criteria. Some retail provision is the only extra the developer need consider.

Westminster has never seen itself primarily as an office location. Its planning priority is urban renewal and it believes that this means mixed uses even in its core area, the so-called Central Activity Zone.

The concept goes back to the late 1960s when the then council insisted that Temporary Office Use permits were just that - temporary. Companies had been permitted to take over houses in Mayfair as wartime headquarters, but the

council insisted that they revert back to housing when the TOUs expired, mostly by the late 1980s.

In Covent Garden and Soho, the local authority became even more insistent that housing should be an integral part of the mix. The concept has won international praise as a benchmark for urban regeneration.

For close on 50 years, therefore, the presumption has always been that all new developments would be a mix of housing, shops, offices and even workshops. Moreover, this applies in every sub-district, including one, like Paddington, designated a Special Policy Area and a preferred location for large-scale offices. What is new in the current Unitary Development Plan is the explicit commitment to owner-occupation and the resistance to converting houses into flats in desirable areas such as Belgravia, Pimlico, Knightsbridge and Bayswater.

According to Mike Straw of Richard Ellis's planning

department, one question the examiners will be asking is whether this council is as fully committed to affordable housing as to residences for Conservative voters.

Developers have a separate objection to the current formulation of the housing policy: its inflexibility. Not all office developments are suitable for incorporating self-contained flats with a separate entrance; the site, the location, the immediate outlook may not recommend themselves to residential occupation. They believe the council should lay

down the residential requirement for a neighbourhood and leave them to parcel that in the most convenient way.

History suggests they may eventually be heard. In the 1980s, Camden Council had a similar plan which forced Harry Hyams to provide a handful of flats in the penthouse of Centrepont, his controversial office tower at the junction of Charing Cross Road and Oxford Street. The requirement made a mockery of Camden's housing policy, which was quietly modified.

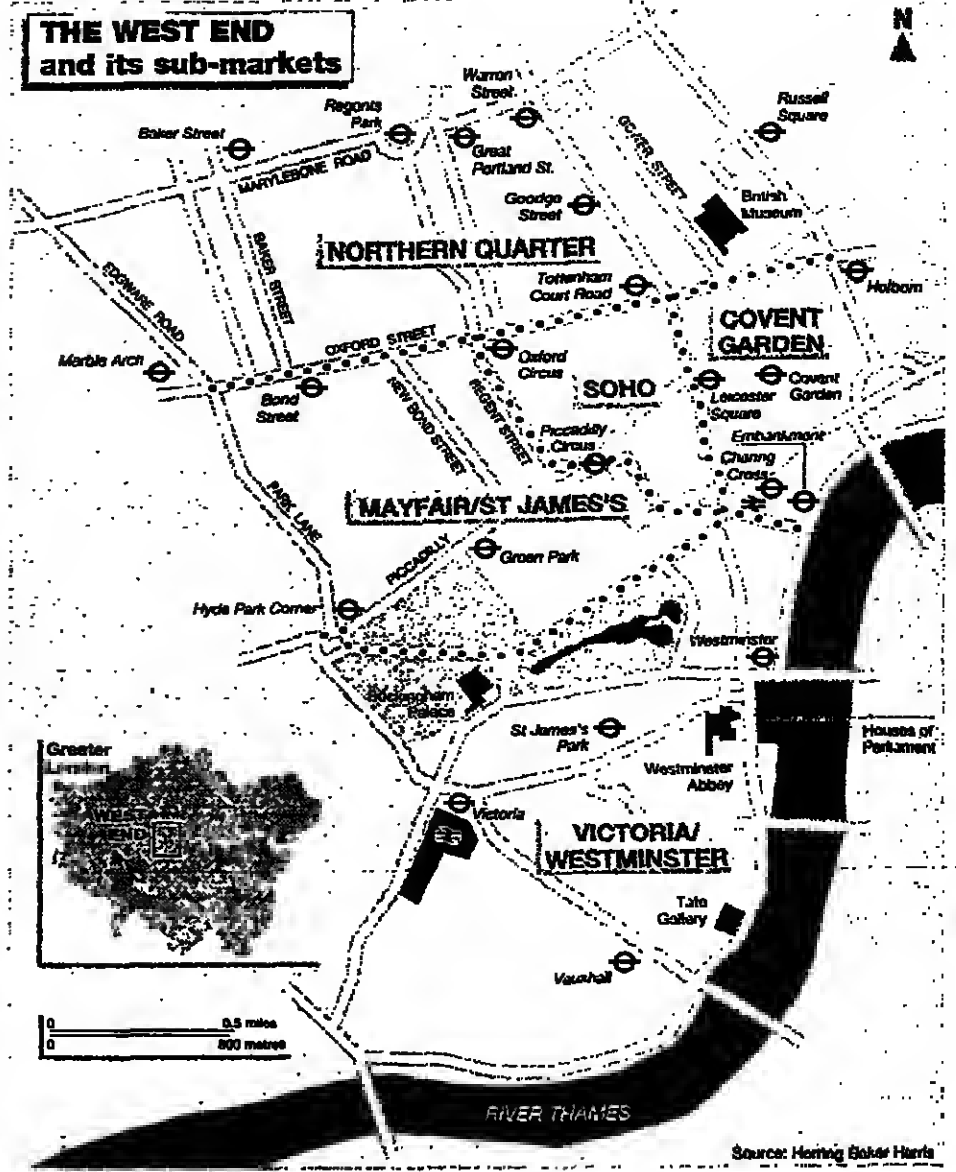
Controversy - but without

the overtones of impropriety - also surrounds another aspect of planning for the West End: transport policy. It is a fraught issue everywhere, as central and local government are each responsible for different aspects of it.

In central London, matters were made worse by the abolition of the GLC which left no one body with an overview of the region's needs. One example suffices: the Heathrow Express Railway, a joint venture between British Rail and the British Airports Authority, went back and forth to central government during its planning phase with no one to judge whether it was good for London.

Instead, different local authorities bickered among themselves: while districts near the airport wanted traffic taken off their roads, Westminster opposed it on the grounds that it would suck in traffic to the proposed terminal at Paddington.

Westminster lost. HER is going ahead. Westminster is reduced to trying to limit the inevitable increase in traffic in Paddington by forcing the two giant commercial developments which will feed on the express to reduce the car parking they provide. The transport programme which would have had a really positive effect in driving West End traffic off the roads - CrossRail - was in central government's gift and now lies gathering dust.



NEW DEVELOPMENT OPTIONS

Confidence stirs

Development proposals are being dusted off as land owners and investors consider whether the time is right to resurrect plans for some of the biggest office projects undertaken in the capital, writes ANDREW TAYLOR.

Two of the biggest projects are in Paddington, designated by Westminster City Council in 1982 for large scale office development and where rival development groups are proposing to develop up to 3m sq ft of new office space.

Funding institutions, however, remain very nervous after their experiences during the early 1990s when rents and capital values fell sharply. Major schemes, therefore, are unlikely to proceed unless they are pre-let.

Westminster council's long standing policy of maintaining a strong residential community alongside office and retail schemes traditionally has restricted the pace of commercial development. More recently it has required developments involving increased office space to provide equivalent residential space.

The council's housing policies are now being investigated by the District Auditor and a retired former County Planning Officer for Shropshire following the votes for homes scandal operated under Westminster's right to buy scheme.

The inquiry, however, is not expected to undermine the general thrust of the council's housing policy or threaten outline planning permissions granted for some of the large proposed schemes in Paddington where Westminster is seeking to direct commercial development under its urban renewal policies.

Richard Ellis All Buildings Rental Index (% change)	1990 (year)	1993 (year)	1994 (Jan-June)
Mayfair	-5.9	-4.6	+3.7
St James's	-5.1	-7.8	+4.8
Soho	-4.2	-10.6	+1.9
Covent Gdn/Strand	-10.9	-8.2	+6.5
Victoria/Belgravia	-4.0	-11.0	+6.6
Northern	-9.9	-16.0	+1.7
TOTAL WEST END	-7.2	-9.6	+4.3

Source: Richard Ellis Property Database, August 1994

Planning hurdles also may have still to be overcome as developers seek to turn outline planning approval into detailed consents for their proposals. Some of these construction projects have been around for many years and it could be some time before concrete starts to be poured.

Nonetheless the outlook for development has begun to brighten. The balance between supply and demand, at least for new properties, is again favouring the developer.

This week, for example, Mr Elliott Bernard's Chisfield group announced plans to start work on 120,000 sq ft of office space at Wool House, St James's after selling a 50 per cent stake in the project to AMP Asset management for \$20.5m.

City University Business School, which has studied the findings of 10 of the largest commercial agents and chartered surveyors in the capital says: "There remains significantly less than one year's supply of new accommodation available and, for large occupiers seeking in excess of 100,000 sq ft, there are no new buildings currently available."

As a result, rents for modern high quality accommodation are beginning to rise as the property market comes out of recession.

link designed to provide fast direct rail access to the airport as well as coping with increased passenger numbers if the proposed fifth terminal at Heathrow goes ahead.

Beneficiaries could be two of the largest schemes to be undertaken in central London since the massive Broadgate and Ludgate office developments undertaken by the Stanhope/Rosehaugh joint venture. Rosehaugh subsequently went into receivership while Stanhope is still wrestling with its large borrowings.

The main Paddington schemes are:

- Bishopsbridge: a 1.4m sq ft office development with retail and residential elements proposed by Grainhurst, a consortium representing Regalian property development group and the National Freight Consortium. The site is the former Bishops Bridge railway goods yard.

- Paddington Basin: a joint development proposed by Trafalgar House, the UK construction, property, shipping and hotels group, and British Waterways. The scheme is to provide up to 1.6m sq ft of offices as well as retail and residential accommodation.

Both schemes seem likely to require a significant amount of pre-lets before financing institutions will agree to fund construction. Funds will also need to be convinced that there is the prospect for sufficient rental growth to justify such large investments.

Prospective tenants, given the oversupply in the West End may be prepared to look elsewhere rather than bid up rents, notwithstanding the shortage of new space. This initially may lead to a growth in refurbishment rather than new development.

Companies are not so long out of recession that they will be prepared to accept a sharp rise in property costs. There is plenty of choice of empty buildings if prospective tenants look further afield.

The City of London and the capital's former docklands areas may not have the glamour of a Mayfair or St James's address but might be regarded as preferable to a Paddington

address if rents start to appear uncompetitive. The Paddington/Heathrow link promising a 17 minute journey from central London to Europe's biggest airport is an important attraction but

may not be enough on its own. The construction of CrossRail, a £2bn rail project link east and west London, blocked earlier this year by MPs, would have been an even bigger attraction.

McKENNA & Co

Commercial Property Lawyers

Advisers to

Grainhurst Properties Limited
on their Bishopsbridge Project

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PROPERTY IN LONDON'S WEST END III

Christine Moir reviews rival schemes to develop Paddington's Victorian backwaters

Long march of the planners

Twelve years on and the ambitious plan to regenerate the seedy West End fringe at Paddington is still just a blueprint. Delays, controversy and changes in ideology have dogged the project ever since Westminster City Council first designated Paddington in 1982 as a preferred location for large scale office development. And there is still more to come.

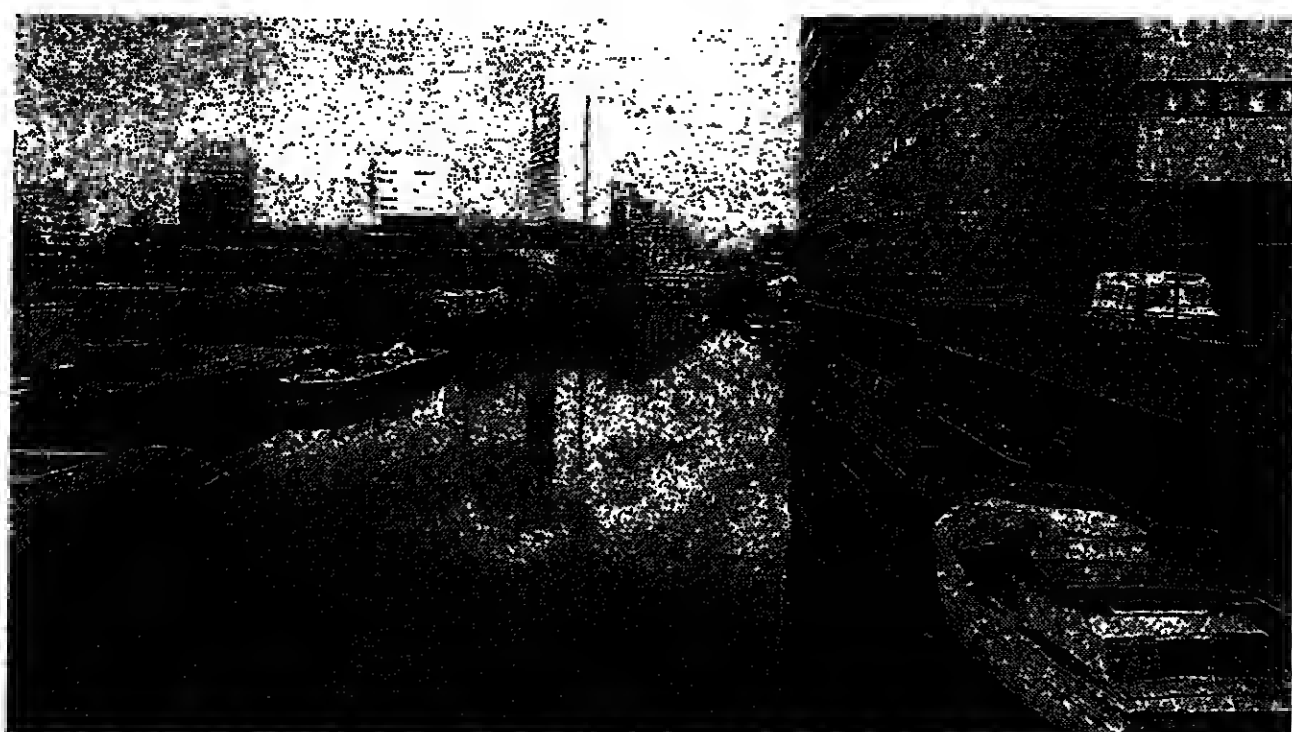
In the past 12 months two giant commercial schemes intended to provide 3m sq ft of offices plus shops, cafes, small craft units and some 450 flats have become entrapped in the backwash of Westminster City Council's "homes for votes" scandal.

Paddington Station, a Grade I listed building, has been put on the market as one of the dozen or so stations for which Railtrack is required to find new owners under rail privatisation. Crossrail, the new Underground link between West and East London through Paddington, has either been scrapped or sent back to the drawing board. St Mary's Hospital's rebuilding plans are on ice while it waits to learn its fate in the reorganisation of central London hospital services.

Only one of the private sector schemes - the entirely self-contained and independent extension of the Metropole Hotel on Edgware Road - is actually under way. Meanwhile, the public sector must content itself with progress on the London Heathrow Express; the rather more important Crossrail project was on, then off and, if it may be on again, it won't be just yet.

Whatever their cause, the delays are acutely frustrating to planners, property developers and local residents who are united - if only in the general principle - in the need to eliminate the present tatters. However, as 1994 moves into its final quarter, there is reason to hope that not all the Paddington plans may be irreparably stalled.

Imperceptibly, perhaps, the two commercial schemes are starting to move ahead. Bishopbridge, the joint venture between NFC and Regalian to



Paddington Basin with St Mary's Hospital on the right: residents and developers agree on the need to get rid of the tatters

develop the 13.5-acre Paddington Goods Yard north of the station, claims to be more advanced than its nearby rival, the Trafalgar House/ British Waterways redevelopment round Paddington Basin at the head of the Grand Union Canal. That is debatable.

Bishopbridge was "launched" at the end of August four months after it received outline planning consent from Westminster Council. But the "launch" amounted

The schemes' biggest gamble is the extent of future demand for office space in Paddington

to no more than inviting a few more interested parties to visit the showroom in Mayfair which had been open for the past two years.

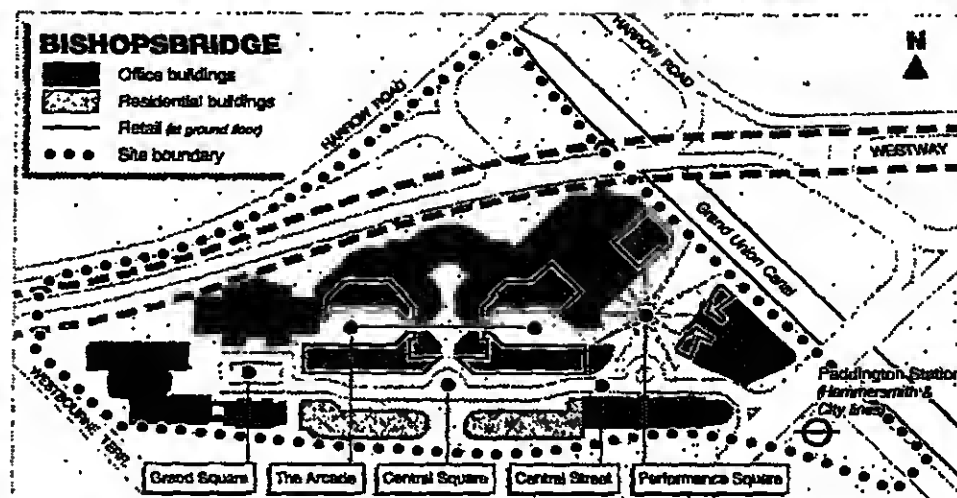
Moreover, as NFC and Regalian already know to their cost, the gulf between outline and detailed permission can be difficult to bridge. A public inquiry after an earlier outline

had been approved in 1989 meant a major rethink of the original scheme. The current artist's perspective and perspective model cannot be relied on as an accurate guide to the final appearance of the buildings.

In that respect Trafalgar House may be slightly further ahead. In early September, it was in the final two weeks of negotiations with Westminster planners which would underpin its detailed planning application. The pretty pictures which Trafalgar is touting may, therefore, be closer to the future reality.

But both have a long way to go before being set in stone. Trafalgar has not yet assembled its entire site; some owners remain to be bought out. Grainhurst (the vehicle for the Bishopbridge scheme) has a vacant, but difficult, gully of a site to tie in with Paddington Station and the proposed new Underground station it must pay for as a condition of its planning permission.

Meanwhile, both developers must bite their knuckles while



they await the verdict of two independent investigations into whether the consents they have received had "contaminated motives". The District Auditor and a retired former County Planning Officer for Shropshire are both searching to see whether the council's housing policy has been based on sound planning principles

or "contaminated", like the designated house sale programme, by gerrymandering.

Property professionals with no axe to grind are confident that the plans will win a clean bill of health. They point out that Westminster's insistence on mixed use developments in the Paddington area has a consistent history which relates to



Artist's impression of part of the Bishopbridge complex: imperceptibly, the logjam may be starting to break

to the largest West End development since the Second World War. And they are in an area which has always rebuffed developers' ambitions to push the West End westwards.

Some think that St Mary's plans for a 950,000 sq ft terrace of offices on its western boundary (which would pay for new hospital buildings to the east) were ambitious enough for such a fringe area.

Grainhurst cites the example of Broadgate which sceptics were adamant could not breach the City's northern boundary. Its executives also draw encouragement from research the company commissioned from the City University Business School. That shows that the top 10 agents in the West End agree that a shortage of top specification space is imminent, however long the hangover of substandard space remains.

According to the consensus, less than one year's supply of prime space remains available and no new building over 100,000 sq ft. Given that West End stock has traditionally

been in small buildings and the council wants to push large space users to the Paddington Special Policy Area, this must be cause for optimism. However, it has yet to translate into firm good news. Neither Trafalgar nor Grainhurst are close to a pre-letting which would persuade them to push ahead to the construction stage.

No one doubts the area's main commercial attraction; its already excellent westwards connections will be further enhanced by the Heathrow Express Railway. With construction well under way the railway looks likely to meet its most recent completion target - December 1997.

A journey time of just 17 minutes to Heathrow should impress international companies which do not need a prime Mayfair location but seek a relatively central position. But will enough of them want to locate in a deep dip beneath the Westway (Bishopbridge) or in Trafalgar's community-oriented enclave on the edge of the Edgware Road?

ANNOUNCING A FUNDAMENTAL CHANGE TO THE LONDON OFFICE MARKET

When it comes to assessing market performance any City analyst worth his salt knows that conclusions derived from a cursory glance of headline figures are often misleading. An accurate understanding of events only emerges after some deeper digging and a careful dissection of the numbers.

Nowhere is this lesson more applicable than when it comes to analysis of the West End Commercial property market. Recent times have seen an unfortunate fashion of commentators quoting the office supply figure with the greatest number of zeros on the end. The perception being that Central London is awash with empty offices - a view that Financial Directors must be warned is dangerously incorrect.

The problem is that the massive stock of vacant unusable second-hand accommodation has been bloating the supply statistics.

Leading property academic, Professor Piers Venmore-Rowland of City University Business School undertook a study to look into the state of the West End Commercial property market.

In "The West End Office Market - An Assessment of Market Data", published today, the author himself says the findings "make alarming reading for those businesses which are, or which will be, seeking large new office buildings in the West End".

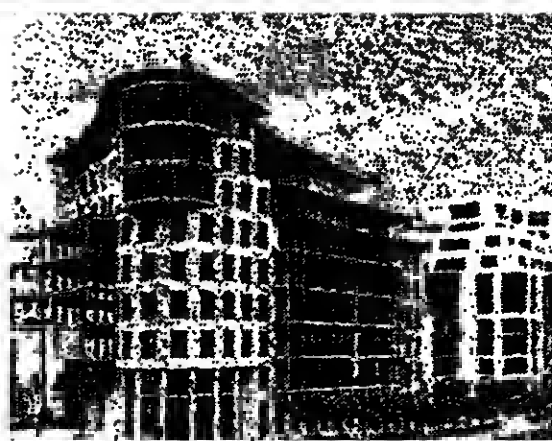
His message is clear: "For those high profile, internationally-oriented businesses looking for top quality space there is very little to choose from. It is plain that those businesses are now going to have to look very carefully at new locations".

Indeed, when it comes to the large quality headquarters buildings - assets that the Capital badly needs, to maintain its pre-eminent position as Europe's top location - the West End faces something of a chronic shortage.

To call it a crisis is perhaps an overstatement. But with demand for new office space growing at an ever-increasing rate, property experts are warning that the supply of quality accommodation in the core West End will dry up in twelve months' time. This paucity will further exacerbate the frustration of UK institutions eager to promote well let property investments.

The problem has reached such a point that property analysts are saying that if nothing is done about it, companies wanting to locate their new headquarters in the West End within the next three to four years are likely to be disappointed.

The area topping Professor Venmore-Rowland's list is Paddington. In particular the region stretching from Paddington Station north and west to the A40M. This is a view shared by Westminster City



A model of the office buildings.

Council. The authority has designated an area of Paddington around the station as a Special Policy Area and will be actively directing any company looking for large new accommodation to the SPA.

Most in the property world agree it makes sense. Where else in Central London is there a 40 acre parcel of vacant and unemployed land in a prime location? But the availability of development sites is not the only factor that makes Paddington an attractive base - a good location needs more than just land.

In three years time the Heathrow Express will make the journey from Paddington station to the world's busiest international airport in only 17 minutes. In the past the lack of a link between the Capital and Heathrow has often been cited as one of London's major deficiencies as a city. Heathrow Express will ensure London continues to maintain its position as Europe's number one capital for business.

Paddington will become one of the country's most important transport interchanges. It is already on the Bakerloo, Circle, District and Hammersmith & City lines and CrossRail will put it within 11 minutes of Liverpool Street, when constructed.

Its proximity to the A40M - and therefore the M25 - means Paddington is set to become the focal point of major corporate activity and will therefore shift the whole locational balance of the capital.

Undoubtedly, it will also be a hub of development activity. One of the most exciting proposals primed to spring from its starting block is the Bishopbridge scheme launched today by developers Regalian Properties plc and NFC plc.

Bishopbridge will total 1.4m sq. ft. of offices in ten buildings on a 13.5 acre site. It will have the capacity to house 14,000 employees. The scheme, which will be built around three major public squares linked by tree lined boulevards, is likely to attract attention from all the major international office occupiers. Bishopbridge has been master-planned by the renowned architect John Seifert.

Bishopbridge will also provide 40,000 sq. ft. of retailing to service the Commercial buildings and 210 apartments. An additional plus for occupiers will be the generous car parking provision, rare in the rest of the Capital.

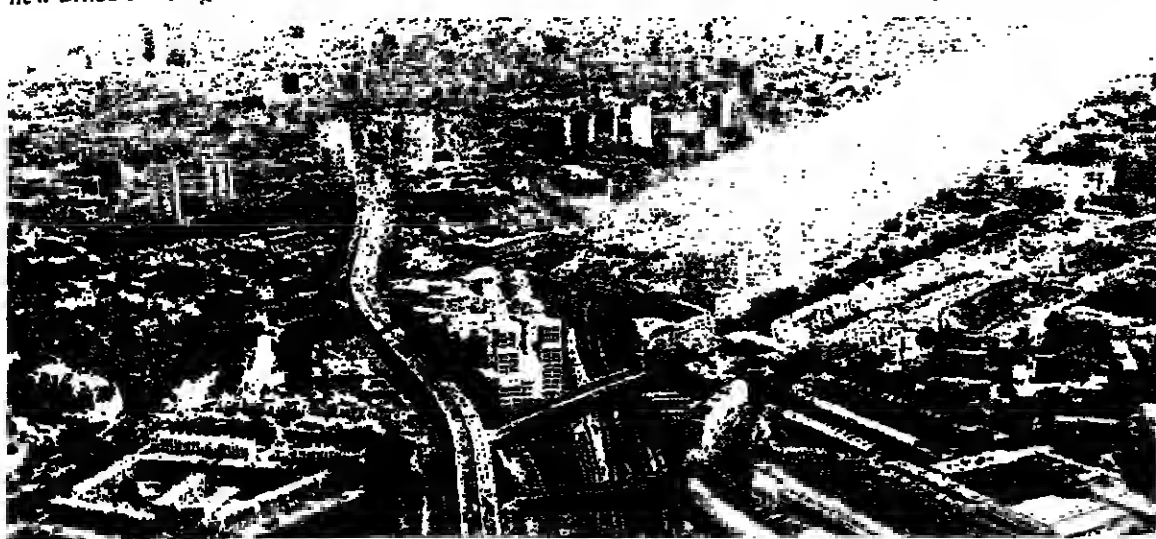
The developers plan to start building as soon as the first tenants are signed up. And with these in place the UK funds so hungry for first class property investments will at last have something to satiate their appetite.

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A photographic montage of the finished scheme.

PROPERTY IN LONDON'S WEST END IV

Complex factors refresh the retail sector, writes David Lawson

Bugs Bunny and the IRA

An unlikely alliance between a lunatic rabbit, several designer labels, Northern Ireland's peacemakers and a gang of roadworkers is dragging Britain's largest shopping centre out of deep gloom.

In the furor about the impact of out-of-town shopping on city centres, problems faced by London's West End have been pushed to the sidelines. That, perhaps, is just as well, as the crisis is now fading. Rents have bounced back to near-boom levels and empty spaces filled as retailers no longer scramble to escape crippling overheads.

The problems - as in much of the property market - arose from the Age of Excess. Retailers measure occupation costs according to the front 30ft of their premises. Rents during the 1980s for this "zone A" space soared to £350 a sq ft in Oxford Street and £175 in Regent Street.

Then came the crash and a flurry of liquidations. Landlords were forced to repossess and try reletting at market levels, says Chris Austin of Hillier Parker. By 1992, rents were down to £250 and £150 respectively.

Knightsbridge saw an even more spectacular boom and crash, with Sloane Street racing from £55 in 1981 to a £400 by 1989 as it assumed the mantle of a fashion centre. "This was never sustainable," says

John Buckingham of Jones Lang Wootton. Values almost halved in the slump, although Brompton Road is probably still the most expensive West End location.

Then the strange alliance raced to the rescue. Bugs Bunny is setting up shop in the new Warner Bros store on Regent Street, part of a stream of flagship lettings to specialist retailers. One site is being let for more than £175 - breaking the 1989 rent record, says Mr Austin. This is partly due to a recovering economy but also because of aggressive management by the Crown Estate, which owns the street.

Several million pounds have gone into improving the pavements and lighting. A careful policy of tenant selection has also begun to dispel the boredom of "dead" frontages from airline and similar premises.

Only a handful of units remain empty and the transformation has impacted on investment. Hamleys is understood to have sold its lease for around £18.5m to a Dutch fund, showing a yield of less than 5.5 per cent. Meanwhile, Gucci has helped turn Bond Street back into an international attraction after moving to new premises, says Mr Buckingham.

Versace confirmed the

revival by taking the old Midland Bank premises and Fahey has slotted between Asprey and Hermes, paying Meteor Properties around £600,000 a year for the former Air France space. Donna Karen New York is the latest fashion name to move in, taking the old Gucci store, now transformed by the new Japanese owner. Development is also happening, despite the fact that rents are static at around £200 a sq ft.

CIS is renovating its section of the street after years of inaction and London & Regional has paid £3.75m for possible redevelopment of the former Refuge Assurance holding. Scottish Widows also has a scheme for the Oxford Street end, all of which will enliven an image blighted by empty windows.

Another long-awaited transformation is happening in Oxford Street, where Westminster Council road gangs are widening pavements and generally giving one of the world's most famous shopping streets an appearance it deserves. If the Ulster ceasefire holds, this could coincide with a revival in trade from tourists put off by bomb fears.

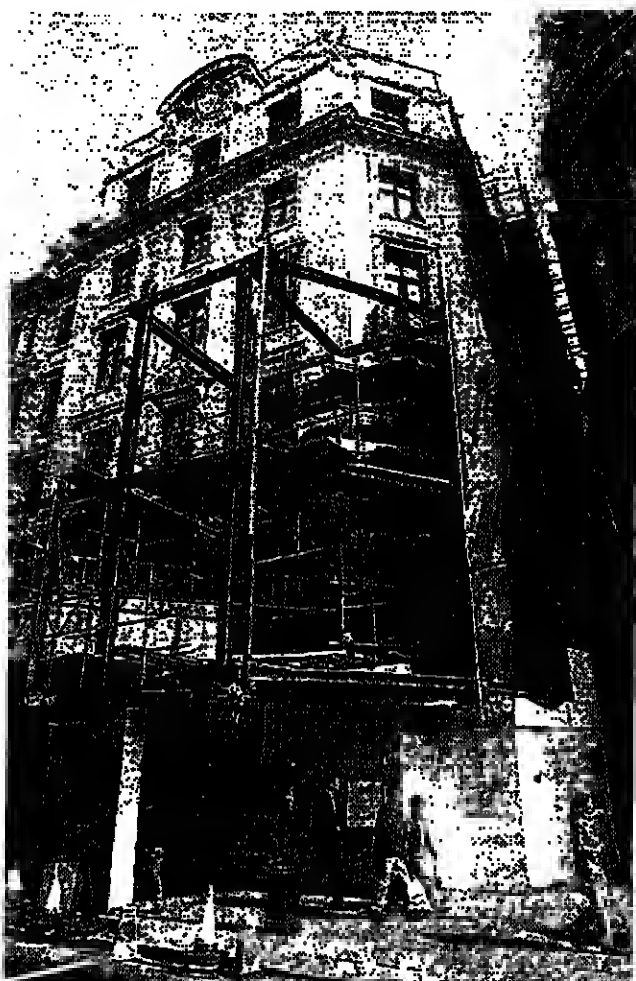
Rent growth normally lags a year or two behind tourism figures, but this time any increase would be icing on a

cake already baked by rising domestic demand. Tesco has seen its new Metro store turn into a roaring success and probably wishes it could have also taken the neighbouring unit. This is said to be the only vacant prime pitch west of Oxford Circus but is already reserved.

The likely rent of more than £270 a sq ft shows how Oxford Street shopping has climbed back off the floor. There are still businesses who would like to escape rent levels set at the peak of the boom but they, too, face some relief. Next April new business rates come into force, and bills could drop 15 per cent in Oxford Street and as much as 40 per cent in Sloane Street. Investors are also betting on growth. Despite Burford's highly conservative spending strategy, it beat off several other potential buyers by paying £94m for the Trocadero on Piccadilly Circus, perhaps the most popular tourist shopping and entertainment pitch in London.

With long-term finance now in place, chairman Nigel Wray might be forgiven for sitting back and enjoying the 9 per cent return. But he has bold plans to increase the current estimate of 14m visitors a year, with bold plans for the 120,000 sq ft of remaining space. The impact should ripple out to boost values in the surrounding shopping.

Rents are returning to high levels and empty spaces are being filled



Building work for the new Warner Bros store on Regent Street



The Versace store on Bond Street

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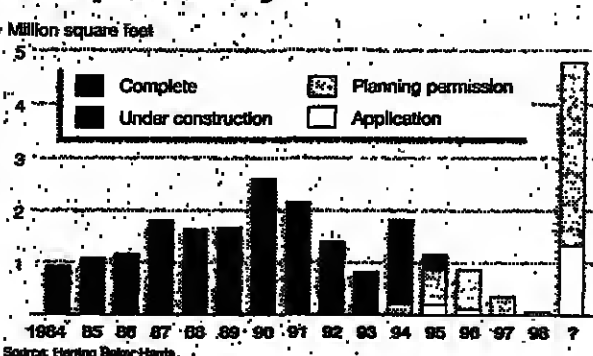
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FINANCE

UK institutions take the slack

Development activity



Middle Eastern investors continue to remain interested; they have been a permanent feature of the market for many years, as have the Dutch pension funds. The Germans, however, appear to be digesting the West End properties they snapped up so enthusiastically at the start of the decade.

For the promised influx of US money, it remains a case of "Will they, won't they?" Far Eastern investors are more reliable; Jones Lang Wootton expects them to account for as much as £200m of the £1bn likely to be spent in the West End this year. Far Eastern investors, for instance, are thought to have paid around £30m for Trevelyan House, though that was perhaps atypically large.

The investment market as a whole went very quiet over the summer. "Not a lot happened in August," Mr Hubbard noted, while JLV was predicting little more than £100m of new deals would be sewn up in the third quarter. In early September fourth quarter prospects were beginning to look more active, especially for deals around or under £10m. But will the picture change again if investors perceive interest rates to be on the rise once more?

Before the Chancellor raised interest rates in mid month, Richard Ellis's Mr Hubbard was confident that "the ingredients are there for rental growth". His counterpart at rival JLV, John Stephen, was even prepared to go public with a prediction that "rents will go well over £50 per square foot during 1995". (The current peak is thought to be

the £42.50 paid by J.P. Morgan for the headline on Almack House in St James's.)

But both agree that the recovery so far is only patchy and investors' confidence will only be sustained if that rental growth starts showing through. They have had enough of promises.

Promises, however, is spurring on a number of developments. Prudential, for instance, is showing signs of activity over its four-acre Portcullis project in Knightsbridge which has lain fallow for some years; and Norwich Union has broken up in Golden Square in Soho.

They and other developers are encouraged as much by the shortage of investment grade properties in an area dominated by small, listed buildings, as by hard evidence that rents have begun to rise.

Yields have been hardening on office property but the trend has been sharper and has come earlier on prime retail space. Agents Healey & Baker report yields of between 4.5 and 5 per cent in Oxford Street west of Oxford Circus and as low as 6 per cent even east of Marks & Spencer's Pantheon site beyond which tenant quality falls off dramatically.

H & B's Tim Skitchley even predicts that the north side of Oxford Street East will show the greatest improvement in both yields and rents.

Part of the reason lies in the historic concentration of properties in this stretch into just a few long-term hands such as Grand Metropolitan, London & Manchester and Standard Life.

But a new factor is the imminent redevelopment of the Virgin Megastore for £90m.

Once Virgin and Grand Met agreed the details, Grand Met put the property on the market as a completed and fully let development. Contracts should be exchanged very shortly at a price expected to reflect the rejuvenation the rebuilding will create.

Longer term, the quality of the far east end of Oxford Street will also improve when London Underground completes the upgrading of the Charing Cross Road entrance to Tottenham Court Road station. Oxford Street has always been a cyclical market, dependent on tourism as well as domestic consumer cycles. Today's top rents - £240 per square foot Zone A, west of the Circus - are just the same as they were in 1979 and a long way from the early 1980s peak of £350.

But Mr Skitchley confirms that they are in a steep upward phase at present. On those grounds - and with the boost from the Megastore and Underground improvement - he is confident that rents of £100 to £140 in the eastern stretch will soon be historic and deals will produce benchmark yields.

The buyers prepared to pay such prices will most likely be British (no offence to Irish Life which recently acquired a site just west of the Pantheon at a price reflecting a 5 per cent yield). As with offices, foreign investors are now taking more of a back seat in the retail investment market.

Christine Moir

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The West End is as much an idea as a clearly defined area, writes David Lawson

The property market draws the map

The West End is a fiction. It is accepted as one of the world's largest business centres but no-one can agree exactly where it begins and ends. It exists only as an indeterminate swathe lying west of Whitehall and north of the Thames.

Borders change according to the state of the market - or the views of whoever is drawing the map. Tenants widened their search for space during the boom, so King's Cross and Paddington were drawn into this amorphous mass in the tidal wave of surveys produced by agents. Jones Lang Wootton has even crossed the river into Lambeth - a sort of South-West End - since the heightening of interest around Waterloo Station.

Demand and supply figures therefore need to be treated carefully. Knight Frank & Rutley, for instance, says take-up fell from 1m sq ft to 846,000 sq ft in the three months to June, while supply fell 15 per cent from just under 8m to 6.7m sq ft. J.L.W., on the other hand, puts take-up at 886,000 sq ft with supply down 2 per cent at 8.76m sq ft.

Overall figures are relatively meaningless anyway. "It is far

more useful to look at what is happening in specific areas," says Philip Dawe of Herring Baker Harris. "The West End is not one single entity but a collection of markets."

● **MAYFAIR/ST JAMES'S**, the core area, is in greatest demand from high-profile tenants. It sets the tone for the

The West End is not a single market but a collection of entities

West End. "What happens here today affects the rest of area tomorrow," says Mr Dawe.

One key happening was the letting of Annick House to J.P. Morgan, according to James Birkett of Richard Ellis. This was one of only a handful of 100,000 sq ft-plus buildings left in the whole West End, and must make other tenants looking for headquarters feel

distinctly nervous about what they will have to pay in future.

The 40 a sq ft headline rent, while well below the 70 peak achieved in the boom, sets a benchmark for valuing other space. "It also reveals proven demand in a market where there is very little space," adds Birkett's colleague John Oiney.

That is one more factor which could get development moving again after a long hiatus. So is the creeping erosion of a vast rump of second-hand space. Rents have crept up from £30 to as much as £35 a sq ft in buildings such as Lansdowne House and Berkeley Square House over the last six months.

The Prudential was encouraged enough to started work on 55,000 sq ft of speculative development at 30 Berkeley Square, which it considered selling 18 months ago. That might be thought a key move, as institutions hold a near-mono-

nopoly of prime sites and buildings, leaving developers with little chance of muscling in. Any big surge of development is likely to be in 1995 rather than this year, however.

"There are not enough deals at good headline rents to convince investors," says Paul Yearley of J.L.W. But pressure is rising as landlords notice that rent-free periods have dropped from more than two years to around 18 months.

With a few more lettings, they will have enough evidence to move - and they could be already in train. Pearson, for instance, which owns the Financial Times, is understood to have offered Scottish Widows around £35 a sq ft to put Legends into the 40,000 refurbishment in Burlington Gardens.

● **SOHO AND COVENT GARDEN** stand next in the queue for reassessment, with rents rising for the first time in five

years, says Mr Birkett. The main thrust comes from media companies which shed space early in the recession. "They are now lean, mean and hiring again - but have no space," says Mr Yearley.

CD & P had to fight off three other advertising agencies to take a sub-let of 40,000 sq ft in Aquila House, Soho Square, from the Pru. There are doubts, however, whether media groups will pay the new going rate for space. While rents rose to £50 in the peak, real levels are now half this amount, says Philip Dawe. "The industry is notoriously cost-conscious," he says. "It is difficult to see groups like publishers going above the £35 level needed to justify new space."

Dormell House, an 80,000 sq ft block going up in Golden Square, could test the industry's confidence and courage, as this is likely to be priced at

more than £30 a sq ft. One alternative is to move out of their traditional stamping ground.

● **VICTORIA** has already laid claim as the new media centre, says Mr Yearley. Channel 4 built its own HQ in Horseferry

terfield Properties has an 80,000 sq ft refurbishment in Vauxhall Bridge Road.

The vacancy level in Victoria of 8 per cent is the lowest in the West End, says Herring Baker Harris, but with rents static at around £27.50 a sq ft

	TOP RENTAL NORMS (£/sq ft per annum)		
	1990 (Dec)	1993 (Dec)	1994 (June)
Mayfair	70.00	40.00	40.00
St James's	70.00	40.00	40.00
Soho	50.00	20.00	22.50
Covent Gdn/Strand	57.50	25.00	27.50
Victoria/Belgravia	55.00	25.00	27.50
Northern (west)	55.00	22.50	22.50
Northern (east)	47.50	20.00	20.00

Source: Richard Ellis, August 1994

Road, which is bound to gather like-minded production and publishing companies. Advertising agency DMB&B is thought to be paying around £25 a sq ft for the 60,000 sq ft released by Tiphook in 123 Buckingham Palace Road and the Press Association is understood to be buying Bank Paris' 40,000 sq ft Denison House in Vauxhall Bridge Road for more than £10m.

Some developers are well set to tap the spillover from Mayfair and Covent Garden because they have started construction early in the cycle. Land Securities has 50,000 sq ft underway at 25 Victoria Street, CIS is preparing to start 60,000 sq ft in Wilton Street and Ches-

there is little incentive for more new development. Victoria may have broken out of its traditional second-tier role, however. Salomon Brothers has voted to stay in the area by paying £80m for its lease on Victoria Place, showing that this is a viable location for a leading financial group.

Ian Noble of Cluttons points out that there is still more than 1m sq ft of space - much of it second-hand - on the market. That is bound to muffle the impact of demand on rents. Prime new space is hard to find, however, which means Victoria is back at the top of its traditional two-tier market. ● **NORTH OF OXFORD ST.**, the opposite fringe of the West

End, there is more strong competition for tenants, particularly the half dozen or so advertising agencies in the market for between 20,000 and 80,000 sq ft, according to Brian Martin of Imry.

There is plenty of piecemeal, substandard accommodation, but few quality blocks with strong identities, he says, which is the rationale behind his company's 23,000 sq ft refurbishment of 54 Baker Street. But hefty competition will come from schemes such as CIN's 130,000 sq ft renovation of 33 Cavendish Square and the glossy new 40,000 sq ft being built by AXA Equity and Law at Wigmore Street.

These are exceptions to the rule, however. Rents of around £22.50 a sq ft are again too low to stimulate much development. But Jonathan Evans of KFR says the ever-tightening market in the core will spin off demand to the fringes, just as it did in the boom.

If, as is likely, development lags the revival of demand for large buildings, tenants may even spin as far as: ● **EUSTON ROAD**, where Hammerson hopes to catch them with open arms in Marathon House - providing the tenant does not take on a short-term renewal of the lease as removed.

Perhaps the best sign of better things to come, however, is the £35 a sq ft being asked by British Land for 60,000 sq ft of renovated space in Regent's Place, the new name for the Euston Centre. Its chairman, John Rithlat, rarely calls the market wroth. If he thinks that will pull in the tenants, perhaps the West End is on the verge of recovery after all.

David Lawson looks at some of the principal occupants and their requirements

Government offices head the list

Ambitious plans in the 1980s for decentralising ministries to high-unemployment areas sent shivers through the property market. Government bodies occupy around a third of all West End offices. They also tend to have the biggest buildings - which can be the hardest to re-let.

Further threats came from the Next Steps programme, aimed at forcing semi-privatised departments to cut costs - particularly rents. But Armageddon has failed to arrive. In fact, government take-up is running at similar levels to a decade ago.

The private sector appears just as reluctant to decamp. When Herring Baker Harris (HBH) polled six major sectors forming around a quarter of tenants, all but one insisted that a West End address was essential. They all had different reasons: retailers and foreign banks cited need to be close to clients, while oil and advertising companies voted mainly for ease of communications. Management consultants put both these factors on a par with access to skilled labour.

Having a presence is less important than how much space each will take in the future, however. And that rests on even more complex factors affecting each sector.

Government is obviously the most crucial player, particularly in Victoria where it accounted for more than 40 per cent of take-up in the last decade, says HBH. A single decision helped give the local market an edge of respectability in the last 12 months. The Cabinet decided not to relocate two major departments to Canary Wharf when their



Number 33, Cavendish Square: a declining fear of decentralisation

Marsham Street headquarters are demolished. Instead, the DoE will have its own environmentally-friendly, 250,000 sq ft home built by Land Securities on the site of Eland House, while the DoT has taken 220,000 sq ft in Horseferry Road. Along with the letting of Portland House to the Crown Prosecution Service, that almost used up Victoria's current stock of prime big buildings.

The Defence Ministry, a

Bloomshury occupier, could have the opposite effect by halving its workforce, but the government will continue to be a major overall force in future, says HBH. "There is unlikely to be a significant reduction as new agencies, departments and quangos continue to be established and take up space released through rationalisation, says the firm in its report *Thriving in the Midst of Plenty*.

Oil is the next largest sector,

with 55 companies occupying 2.3m sq ft - around 6 per cent of the West End stock. While most companies want to keep a presence, this appears likely to be much smaller. Mobil, Total, Chevron and Conoco are among big names either moving out of London or reassessing space demands. Victoria, which is still home to more than a quarter of the sector, will feel the draught most keenly.

Telecommunications is also set for decline. It is the only sector which does not believe a West End location is important and, with 5 per cent of the office stock, this could have important repercussions.

BT is the driving force, with the lion's share of both the industry and office space. The company is determined to cut its workforce by more than 100,000 by 1997, but an even bigger knife will slash the national property estate from almost 50m to 7m sq ft. That casts a shadow over 25

West End centres comprising around 1m sq ft. Even if they survive, it is likely that most will shift out of central London.

More 60 advertising agencies occupy around 4 per cent of the area's office space. The large majority are in Soho, Covent Garden or north of Oxford Street, mainly in buildings of less than 50,000 sq ft. This sector is among the most dedicated to the West End, despite one or two important moves to places such as Docklands. While recovery is bringing demand for more space, HBH forecasts further rationalisation through mergers and takeovers, with any expansion limited to small setups.

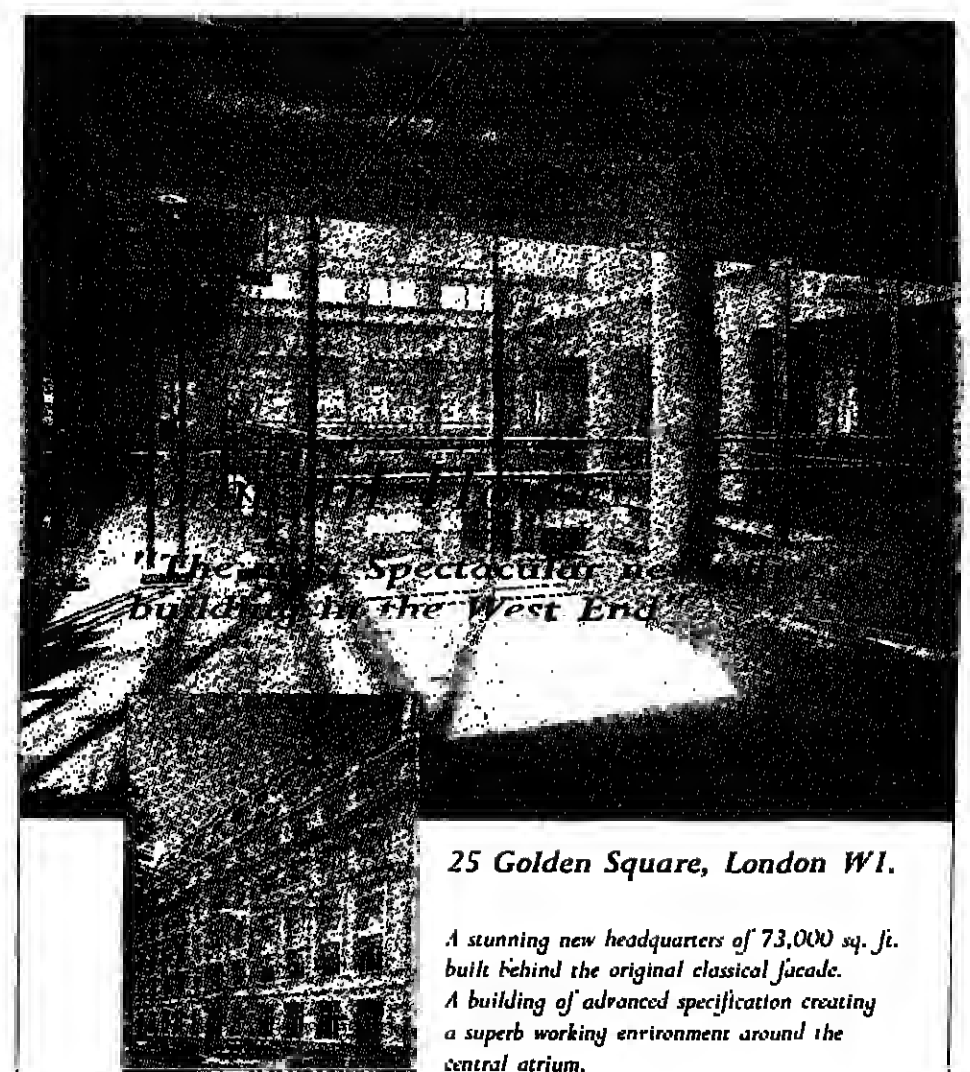
Retailers are also set for fundamental changes. They, too, occupy around 1.5m sq ft of offices as an administrative back-up to the country's largest shopping centre. But this will decline as new technology reduces staff required for tasks such as sales forecasting and analysis.

Headquarters will shrink and computing services relocate out of central London. That will leave many companies with the difficulty of getting rid of space tied into long leases.

More than 90 foreign banks occupy a similar total space as retailers, and mainly in the same areas of St James's and Mayfair. New ones are expected to emerge, but just like most existing setups they are likely to be small operations.

This is another sector committed to the West End, but any return to rent increases could see back-office space decamping to cheaper locations. Management consultancies are the final piece in the jigsaw, covering a wide variety of services. But despite rapid growth in the 1980s, they make up only around 1 per cent of West End space. While demand will grow from both larger agencies and boutique offices, the scale is unlikely to be significant.

Government therefore appears to have a key role in the future of the West End. While other sectors are set to remain stable or decline, Whitehall's appetite for space should keep growing.



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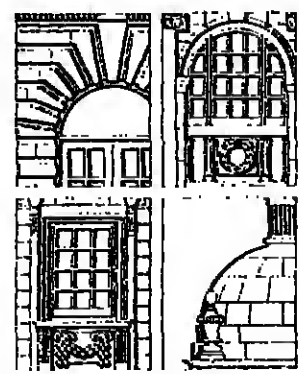
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Trust Name	Price	Div	Yield	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	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Figure 1. The effect of the number of trials on the number of correct responses. The number of correct responses was significantly higher than the number of incorrect responses in all cases. Error bars represent the standard error of the mean.

Table 1. Mean values of the variables measured during the 60-min test

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FT PROFILE

BUSINESS INFORMATION

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4 pm close September 22

Have you

AMERICA

Dow left struggling by uncertain outlook

Wall Street

US stocks limped through the morning yesterday with an uncertain outlook on monetary policy as the sole guide post, writes Frank McGurk in New York.

By 1 pm, the Dow Jones Industrial Average was 2.36 better at 3,853.96, while the more broadly based Standard & Poor's 500 was up 1.41 at 462.87.

After two days of heated trading, activity on the Big Board slowed to a moderate pace. Some 175m shares were traded by early afternoon.

In the secondary markets, the American SE composite was off 0.76 at 454.01 and the Nasdaq composite added 0.65 to 761.36.

Investors spent the morning licking their wounds after the battering inflicted on Tuesday and Wednesday. The Dow industrial index, which had plummeted 86 points in the two days, crawled within a few points of its starting level for most of the session.

The focus was still monetary policy, with investors still trying to guess whether the Federal Reserve would lift interest rates next week or wait until after the November elections.

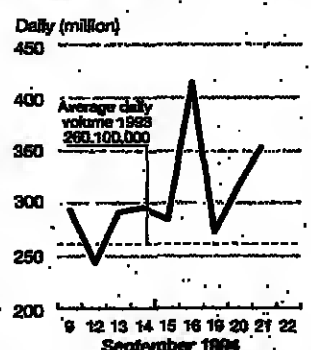
News of a modest decline in initial claims for unemployment benefit was not very helpful in this regard, nor was congressional testimony by Mr Alan Greenspan, the Fed chair-

man. The central banker shed no further light on the policy outlook.

Bonds were not much helped either, though the benchmark 30-year issue was managing to hold on to a modest gain at 1pm. Left to their own devices, most stocks meandered without direction.

Among individual issues,

NYSE volume



NovaCare topped the NYSE's most active list, plunging 3% to \$11.14 in heavy volume of 3.4m shares. JP Morgan downgraded the issue as the company, a provider of rehabilitative medical and social services, issued a profits warning.

Borden appreciated 3% to \$14.4 as its board considered an offer to buy up to 90 per cent of the company's shares for \$16 to \$18 each. The plan was presented by Mr Paul Kazarian, a

former Sunbeam-Oster chairman, as an alternative to a takeover proposal from Kohlberg Kravis Roberts.

On the Nasdaq, shares in Lotus Development were trading briskly a day after concerns emerged over the software developer's European sales. The issue skidded a further 2% to \$37.4.

Amgen, the biotechnology concern, lost \$1.5 to \$54.4 after the stock was struck off SG Warburg's buy list.

Canada

Toronto was marginally softer at midday with investors still nervous about the outlook for interest rates and many expecting a 50 basis point rise in the US federal funds rate.

The TSE 300 composite eased 3.88 to 4,354.73 at noon in volume of 30.7m shares. Of the 14 sub-indices, six were lower, led by precious metals which fell 1.1 per cent and base metals which lost 0.5 per cent.

Brazil

Equities were flat in volatile trading in São Paulo after a new opinion poll showed that presidential candidate, Mr Fernando Henrique Cardoso, had lost ground, suggesting that the contest could go into a second round after the vote on October 3.

The Bovespa index was off 6 at 53,429 by 11.55am in turnover of R\$15.8m (\$17.8m).

EUROPE

Paris edges up but fails to regain 1,900

Activity on the continent was generally patchy yesterday.

PARIS failed to regain the 1,900 level, lost on Wednesday, with the CAC-40 index finishing at 1,899.37, up 219, and a gain on the session low of 1,991. Turnover was FF3.58bn.

In spite of the modest recovery, brokers remained unsettled and did not rule out a decline today, with chart analysts suggesting that the index could strike 1,850.

Pineau-Printemps, down FF233 at FF906, was left trailing on news that it intended to sell a 6 per cent share stake to part-finance its purchase of a stake in FNAC, the book and record group. The price will be set on September 26, with the sale taking place between September 27 and September 29.

Crédit Lyonnais CFs, which are thinly traded, dipped FF24 to FF940 as the state-controlled bank postponed the publication of first half results. Some reports suggested that the postponement was due to a disagreement with the government over debt.

Air Liquide went in the other direction with a gain of

FT-SE Actuaries Share Indices

Index	Open	High	Low	Close
FT-SE 100	1328.40	1338.36	1337.94	1337.94
FT-SE 250	1351.59	1361.17	1361.06	1361.06
FT-SE 350	1374.62	1375.13	1375.13	1375.13

FFr6 to FF718 as investors took positions ahead of the release of first half results which came after the close and showed a gain in profits of 8 per cent.

FRANKFURT was generally quieter with turnover also falling back in the official session. The Dax index slipped 6.47 to 2,073.03. In this afternoon trade the index settled at 2,072.81. Turnover was DM5bn.

Merrill Lynch, in a technical analysis of the market, reported that the index now had "more than a normal risk of a downside correction". A preliminary decline to retest support at 1,990 was possible, it added, with implications for a further fall to the 1,750 level.

MILAN was unmoved by the failure of the government and

news of improved interim figures.

Mediobanca was L225 lower at L13,759, while BCI, which is expected to report lower first half figures next week, fell L51 to L3,969.

Benetton dropped L899 or 4.5 per cent to L31,414 after the chairman was quoted as saying that while sales volumes had grown over 1993, turnover was little changed by value.

ZUCCHETTI edged higher, supported by firm bond futures and gains in selected blue chips. The SMI index rose 8.9 to 2,502.9, but was unable to hold up at the day's peak of 2,514.1.

Gains in Roche's certificates, up SF45 to SF6,045, and UBS, SF7 ahead at SF1,197, helped to pull the market higher. Nestlé gained SF4 to SF1,200.

Swiss Re registered shares, strong gainers earlier this week, fell SF3 to SF563 on profit-taking as some investors switched into Winterthur, SF11 higher at SF945.

AMSTERDAM held the 400 support level in a quiet session. The AEX index closed the day down 0.73 at 400.38. Unilever, off 20 cents at

Fl 193.30, announced that it was to expand its operations in China.

COPENHAGEN was in a holding pattern as investors took stock of the outcome of the general election.

The KFX index was off 0.19 at 96.38.

Turnover was concentrated in banks, which slid back from early highs to close mixed. Danske Bank put on DKr1 to DKr325.

MADRID finished mixed with losses seen in high volume shares and the general index eased 0.32 to 25,184.96 in turnover of Ptas3.6bn.

Repsol lost 2.4 per cent to Ptas7,740 with the losses attributed to speculation about the next public share offering in the state-owned oil company.

ISTANBUL rose another 3.5 per cent after some late buying, triggered by portfolio switching towards companies with good nine month profit expectations. The composite index rose 833.59 to 25,184.96 for a three day rise of 18.6 per cent.

Written and edited by John Pitt and Michael Morgan

S Africa sees quieter session

The lack of follow through in the bullion price after it tested the \$386 level left gold shares quieter with no major selling.

Industrials regained some stability after Wednesday's fall as buying crept back in at the new lower levels.

The overall index shed 28 to

5,754 and the industrial index also lost 28 to 6,340 while the gold index dipped 18 to 2,454.

Both De Beers and Anglo shed R1 to R105 and R242 respectively. Among gold stocks, Vaal Reefs shed R5 to R453, Oryx added 25 cents to

R6.75 and Western Areas was down R1 at R70.

Gencor was 10 cents lower at R14.50 and Iscor lost 6 cents to R4.42.

Among the day's other movers SAB lost R1 to R82.50, Barlows fell R1 to R23.50 and Pick n Pay fell 85 cents to R11.25.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of September 1994	Dollar terms % Change over week	% Change on Dec '93	Local currency terms % Change over week	% Change on Dec '93
Latin America	(209)	799.73	+1.7	599,820.36	+1.6
Argentina	(57)	977.50	+1.6	1,375,341,006	+1.6
Brazil	(25)	428.89	+1.7	1,223.83	+2.0
Chile	(11)	737.27	+2.4	1,351.12	+3.3
Colombia	(8)	921.55	+2.2	1,461.48	+1.7
Costa Rica	(11)	991.71	+1.6	216.63	+3.2
Ecuador	(11)	157.45	+3.2	2,210.25	+0.3
El Salvador	(11)	585.56	+4.4		
Honduras	(57)	287.50	+0.6		
India	(18)	107.56	-4.5	120.37	-1.0
Indonesia	(156)	142.43	+2.5	149.76	+2.4
Philippines	(13)	304.15	+0.2	390.99	-0.1
Taiwan, China	(9)	181.11	+0.9	158.53	+1.0
Thailand	(7)	144.27	+0.7	159.54	+0.7
Indonesia	(57)	114.67	-1.3	135.51	-1.4
Malaysia	(105)	325.69	+0.6	307.15	-0.8
Pakistan	(15)	403.60	+3.4	500.50	+4.1
Sri Lanka	(6)	208.18	+2.0	223.93	+2.0
Thailand	(5)	432.57	-1.2	446.02	-2.7
Europe/East	(122)	115.21	-3.1		
Greece	(25)	223.32	+0.5	355.42	+0.9
Hungary	(6)	178.56	-5.9	232.57	-6.2
Jordan	(13)	153.43	-1.5	219.99	-1.5
Poland	(12)	600.42	-5.5	571.95	-6.5
Portugal	(23)	127.50	-1.5	137.79	-1.4
Turkey	(4)	107.80	-5.5	1,711.46	-5.4
Zimbabwe	(6)	283.07	-1.1	320.81	-0.4
Composite	(891)	373.69	+0.9		

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Data date Dec 1993-120 except those noted which are: (1994) 1 1991; (200) 21 1992; (200) 3 1993; (200) 4 1994; (200) 5 1995; (200) 6 1996; (200) 7 1997; (200) 8 1998; (200) 9 1999; (200) 10 2000; (200) 11 2001; (200) 12 2002; (200) 1 2003; (200) 2 2004; (200) 3 2005; (200) 4 2006; (200) 5 2007; (200) 6 2008; (200) 7 2009; (200) 8 2010; (200) 9 2011; (200) 10 2012; (200) 11 2013; (200) 12 2014; (200) 1 2015; (200) 2 2016; (200) 3 2017; (200) 4 2018; (200) 5 2019; (200) 6 2020; (200) 7 2021; (200) 8 2022; (200) 9 2023; (200) 10 2024; (200) 11 2025; (200) 12 2026; (200) 1 2027; (200) 2 2028; (200) 3 2029; (200) 4 2030; (200) 5 2031; (200) 6 2032; (200) 7 2033; (200) 8 2034; (200) 9 2035; (200) 10 2036; (200) 11 2037; (200) 12 2038; (200) 1 2039; (200) 2 2040; (200) 3 2041; (200) 4 2042; (200) 5 2043; (200) 6 2044; (200) 7 2045; (200) 8 2046; (200) 9 2047; (200) 10 2048; (200) 11 2049; (200) 12 2050; (200) 1 2051; (200) 2 2052; (200) 3 2053; (200) 4 2054; (200) 5 2055; (200) 6 2056; (200) 7 2057; 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VENTURE AND DEVELOPMENT CAPITAL

Friday September 23 1994

Entrepreneurs who are trying to launch businesses face increasing difficulties in finding early finance, reports Richard Gourlay

Competition for new deals is intensifying

On the face of it, the UK venture capital industry is having a rip-roaring year. Contrary to the expectations of many in the industry this time last year, more than £1.4bn has been raised in the UK and the US for new funds during 1994, according to estimates by the British Venture Capital Association.

This fund raising has been encouraged by a burst of private equity-backed flotations in the last 18 months which have transformed the returns of some otherwise poor fund performances.

But this promising replenishment of funds masks, however, a continuing decline in availability of true venture capital. Less than 10 per cent of the new funds raised will be directed towards early stage investments or towards companies pioneering new products in new markets. And there are few signs that this long-term decline will be reversed.

"It's a real issue, no question about it," says Doug Brown, chairman of Advent International Europe, an investor in growing technology-based companies. "Entrepreneurs who are trying to get businesses started will find it difficult to find early finance and will have to seek alternative sources - individuals, family, strategic interests."

Among the small number of funds which have raised capital for early stage investments is Schroder Ventures, which raised a \$100m life science fund. This fund-raising followed a rush to the London stock exchange by bio-technology companies in 1993, and will be invested internationally. Otherwise, the funds have

been raised by venture capital groups which focus on late stage development capital, providing acquisition finance for private companies ahead of flotation or management buy-outs.

Lamentable as supporters of unfinanced British ideas might find this, it is not surprising. As the private equity investment industry matures in the UK, better comparative performance records have become available.

Early stage companies take

In the first place, there are not enough viable deals to justify the hiring of in-house expertise by more than a small number of venture capital funds. There are exceptions, such as the managers of the Schroder life science fund. But it is not surprising venture capitalists lacking that expertise are wary.

Furthermore, the UK is a much smaller market. As if developing a new product or service was not risky enough, smaller companies in the UK

equity investors generally.

An even more crucial question is whether the UK industry has matured enough to resist going out and spending the wall of new money too quickly. One prominent venture capitalist says there will inevitably be a return of bad deals - such as Isosceles' purchase of Gateway and the Magnet management buy-out - on which many people turned fingers.

"There will be significant competition for some time forward," he says. "It will follow the same cycle. Funds are going to try to compete by going multinational, or by being user-friendly and cheap, doing turnarounds and focusing on specific sectors."

Prices might already be creeping up - "there is evidence that financial buyers are outbidding trade buyers in businesses where there are trade synergies to be had," says David Shaw, managing director of NatWest Ventures.

Underpinning these optimistic valuations is a faith that the economy is strong, that interest rates are going to remain relatively low and that the stock market will continue to look healthy long enough for there to be a profitable exit. Some others including Canderow, which recently raised a fund, disagree: "There has been a tendency to try to get an auction going among financial buyers," says Canderow's chief executive, Stephen Curran. "But the competition has not increased. The amount of money has not changed over last few years - it replaces existing funds."

Continued on page 3



Stephen Noar: the relationship between an entrepreneur and venture capitalists is "fraught with potential problems," he says

Picture: Tony Andrews

VENTURER OF THE YEAR

Winning smile reflects Denplan's success

By Vanessa Houlder

When Stephen Noar, a 38-year-old dentist, decided to set up a new company in 1986, the prognosis was not entirely promising. Market research found no perceived need for the business. At its marketing launch in the Guildhall, Winchester, only 29 people turned up.

But Noar's dogged belief in his idea paid off. From a standing start, he built up Denplan, the dental healthcare company sold for £42m last November.

This achievement, together with qualities such as "clear vision", "determination" and "insight", has just earned Noar the accolade of *Venturer of the Year*, an award sponsored by the Financial Times, Cartier the Jewellers, and the British Venture Capital Association.

Much of Denplan's success can be attributed to Noar's

prescience about the impending crisis within his profession. This dates back to his work in the mid-1980s at the Medical Defence Union, a provider of professional indemnity, where he saw countless examples of the way in which the National Health Service was failing dentists and their patients.

The problems, he reasoned, were exacerbated by the way dentists were paid. As dentists were paid purely for each item of treatment, they had no incentive to do preventative work. The piece-work basis of their pay, together with the pressures of seeing 30 to 50 patients a day, affected the quality of their work. At the same time, dentists' commitment to the health service was eroding as their incomes fell behind those of their peers.

With a colleague, Marilyn Orchardson, he saw an opportunity to form a company offering a private dental health care programme. Patients

would pay a monthly fee to cover any work they might need, a system which would avoid the problems associated with piece-work pay. Dentists would set their own charges while delegating their administration to Denplan, which would take a fee for every registered patient.

Backers' reward

By last November, when the business was sold to Private Patients Plan for a total of £42m, the company had registered 20 per cent of UK dentists and 400,000 patients. Pre-tax profits in the year to end-April 1993 were £1m.

The company's success was shared by its backers. Advent, the venture capitalists, invested £850,000 in Denplan in early 1988 and achieved an internal rate of return of 52.7 per cent over five and a half years. F&C Ventures, the venture capitalists which bought out Orchardson's stake for £1m

in 1991, made an internal rate of return of 132.1 per cent over 30 months. Both companies hope to benefit from further earn-out considerations.

Noar enjoyed a good relationship with his backers, although he reserves his warmest gratitude for the Midland bank manager who supported the business in its early days. However, he notes that the relationship between an entrepreneur and venture capitalists is "fraught with potential problems."

"If you are taking on board venture capitalists, you have to do it as an adult," he says. "You have to realise it will not be your company." This process is good for the business, he believes. "Owner-managers are too possessive. They think they have all the answers."

Noar was not always prepared to admit he did not have the answers, however. One of

Turn to back page of survey

This memorandum appears as a matter of record only

\$25,000,000
MANAGEMENT BUY-OUT
OF
THE PJH GROUP LIMITED

from
Arlan Deutsche Kaufhaus AG

Structured, led and arranged by:
Montagu Private Equity Limited

Equity co-underwritten by:
Montagu Private Equity
Schroder Ventures

Debt provided by:
Midland Bank

Reporting Accountants:
KPMG Peat Marwick

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

This memorandum appears as a matter of record only

MANAGEMENT BUY-OUT
OF
SECURITY PACIFIC INSURANCE GROUP LIMITED

FROM
BankAmerica Insurance Group Inc.

Led, Arranged and Equity Underwritten by:
Montagu Private Equity

Senior Term Facilities provided by:
NatWest Acquisition Finance

Advisers to Management:
Touche Ross Corporate Finance

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

This memorandum appears as a matter of record only

\$13,000,000
Management Buy-Out
of
The Exhibition Services Businesses
The McVittie Group plc

Structured, Led and Arranged by:
Montagu Private Equity

Institutional Equity Provided by:
Montagu Private Equity
NatWest Ventures
Royal Bank Development Capital

Debt Provided by:
Midland Bank plc

Corporate Finance Advisers and Due Diligence:
Price Waterhouse

Legal Advisers:
Adams Marks Crisp

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

This memorandum appears as a matter of record only

\$25,600,000
MANAGEMENT BUY-OUT
WITH
EMPLOYEE PARTICIPATION
OF
CENTREWEST
CENTREWEST LONDON BUSES LIMITED

Structured, Led and Arranged, and Equity Provided by:
Montagu Private Equity

Advisers to Management:
Touche Ross Corporate Finance

Senior Finance and Working Capital provided by:
NatWest Acquisition Finance

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

This memorandum appears as a matter of record only

IR£11,900,000
Acquisition
of
Xtra-vision plc

Structured, Led and Arranged by:
Montagu Private Equity

Additional Equity Provided by:
All Group plc

Debt Provided by a syndicate led by:
Bank of Ireland

Advisers:
NCH Corporate Finance Limited

Reporting Accountants:
Coopers & Lybrand

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

Six reasons why MPE continues to be a major player in the private equity market

MONTAGU PRIVATE EQUITY
The Venture Catalysts

HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

A MEMBER OF IBCG
Member HSBC Group

This memorandum appears as a matter of record only

\$61,000,000
MANAGEMENT BUY-IN
OF
CROYDON LAND AND ESTATES
FROM
CROYDON COUNCIL

Equity Led and Underwritten by:
Montagu Private Equity
£33.5 million

Senior Debt provided by:
Deutsche Bank
£27.5 million

Advisers to Croydon Land and Estates:
DTZ Debenham Thorpe Ltd.

MONTAGU PRIVATE EQUITY

The Investment Bankers:
HSBC Investment Banking Group
Montagu Private Equity Limited
10 Lower Thames Street, London EC3R 6AE Tel: 071-260 0923

VENTURE AND DEVELOPMENT CAPITAL 2

PERSONALITIES

Bush telegraph is busy



Brian Larcombe, chairman of the British Venture Capital Association, and finance director of the BVCA Group, says: "More than £10bn has been invested by members of the BVCA in more than 11,000 companies since 1983."

On current developments in the industry, he comments: "It has been a very good year for many venture capital companies with more than £1.5bn raised so far this year for investment in UK and overseas businesses - more than three times the amounts raised last year."

ex-industrialists and former chief executives as partners than most other venture capital funds and a greater ability than many to consider investing in complicated situations like loss-making companies that need to be turned around. "We put a third of our money into loss-making businesses which is something you cannot do if you have not got the expertise in the industry," says Carl Parker, principal at Schroder Ventures.

Another big move of the year was Charles Gonsor, who helped build Philidrew Ventures into a powerful force but left after another bust up between partners. Neither side will talk about the underlying reasons but again there appear to have been differences in opinion about the types of investments Philidrew was making.

Gonsor, whom Moulton hired at Citicorp Venture Capital in the early 1980s before he left for Philidrew, has been sharing an office with his former boss and is understood to be trying to raise a fund. Philidrew says Gonsor's departure will not affect the remaining partners' ability to do deals.

Robert Drummond, former chairman of Grosvenor Venture Partners, an earlier departure as a result of a falling out, has yet to resurface. In February Grosvenor, where Drummond had a 49 per cent stake, was bought by Mercury Asset Management for £4.5m, after the company failed to raise a new fund.

It was the first outright purchase of one venture capital fund manager by another, giving MAM an opening into smaller deals and greater deal flow out of London, MAM says. Earlier this month Trinity Capital, founded 10 years ago to focus on technology company investments, also lost its independence when it was taken over by Advent International, John Walker, the co-founder who becomes Advent's European managing director, had not tried to raise a new fund at Trinity. But he realised Trinity would not be able to raise the size of fund he would

need to invest in later stage investments, the logical next move for the group.

Linking with Advent, which has just raised \$15m for European investment, brought together large fund muscle and specialist investing abilities. Walker also said that those smaller fund managers that sorted their future out sooner rather than later would have better options as the industry consolidated.

That consolidation among institutions has been going on slowly all year and is likely to continue. First, Postel, the investment manager of the BT and Post Office pension schemes, formed a joint venture with Granville Private Equity, the private investment banking group in which it already had an 18 per cent stake.

The new venture, Granville Private Equity Managers, will manage Postel's £195m private equity fund as well as Granville Development Capital's funds plus £50m of new money which Postel will invest over three years.

"An increasing number of institutional investors are recognising the benefits of specialist management of unquoted portfolios," says Granville's chief executive, Michael Peacock.

And then there is Claven, the venture capital fund that focuses on larger buy-outs and has as investors the pension funds of British Coal, British Rail and Barclays Bank. In March, CINVen announced it is taking over the private equity portfolio of Royal Insurance Asset Management.

But CINVen's future is uncertain because of the privatisation of British Coal. CIN Management, which owns CINVen, is one of British Coal's non-mining assets included in a programme of sales that will probably be concluded by next March.

The company might be interesting for institutional investors but equally its own management might consider buying out the management company. All things are being considered including the possible management buy-out - "it is up to British Coal and Samuel Montagu, [its advisers] to decide," says Charles Nicholson, a CINVen director.

If there were a management buy-out, venture capital companies would be queuing around the block - at least to look at CINVen's books.

Richard Gourlay

LEADING VENTURE FUNDS IN CONTINENTAL EUROPE

Telephone	Country	Minimum invest. (£100,000)	Maximum invest. (£100,000)	Start type	Invest. opp.	Repres. invest.	MBD/ MBI	Sector preferences (see key, below)
31 147 15 11 00	France	1,000	20,000	N	Y	Y	Y	T
49 88 7100 000	Germany	1,000	20,000	N	Y	Y	Y	T
39 2 72 00 32 10	Italy	1,000	10,000	N	Y	Y	Y	T
34 1 521 4415	Spain	1,000	10,000	N	Y	Y	Y	T
ABN-AMRO Corporate Investments	Netherlands	200	5,000	N	Y	Y	Y	T
ACT Venture Capital	Rep. of Ireland	250	4,000	N	Y	Y	Y	T, A, P
Alpinvest Holding NV	Netherlands	800	8,000	N	Y	Y	Y	T, P
Apax Partners & Co	Germany	500	5,000	Y	Y	Y	Y	G, A, U, C, B, D
Argos Siclic SA	Switzerland	1500	10,000	N	Y	Y	Y	D, G, C, O, M
Atlas Venture	France	250	2,000	Y	N	N	N	D, E, H, S, O
Atlas Venture Group	Netherlands	400	Open	Y	Y	Y	Y	T, E, B, O
Benevent Management NV	Belgium	250	1,500	N	Y	Y	Y	T
Beteiligungs-Gesellschaft für die deutsche Wirtschaft mbH	Germany	300	Open	P	Y	Y	Y	T
BUB Bayerische Unternehmensbeteiligungs AG	Germany	500	6,000	N	Y	Y	Y	T, A, P
Capital Privé	France	1000	10,000	N	Y	Y	Y	T
Catalane D'Initiatives C.R. SA	Spain	357	1000	N	Y	Y	Y	T
CD Technicom SA	Belgium	124	1250	Y	Y	Y	Y	D, E, H
Charterhouse SA	France	n/d	n/d	Y	Y	Y	Y	M, S
Chiesse Centre Italia Srl	Italy	500	13,000	N	Y	N	Y	G, R, M, S, N, D, H
Compagnie Financière d'Epargne de De Placements	France	200	5,000	Y	Y	Y	Y	A, M, L, S, P, B, L, P
CVC Capital Partners GmbH	Germany	n/d	n/d	N	N	N	Y	T
CVC Capital Partners BV	Netherlands	0	Open	N	N	Y	Y	T
CVC Capital Partners SA	France	n/d	n/d	N	N	Y	Y	T
CWB Capital Partners Consulting GmbH	Germany	30,000	150,000	N	N	N	Y	M, G, O, H
Danish Development Finance Corporation	Denmark	30	4,000	Y	Y	N	N	E, H, B, O, L
Demachy Worme & Cie	France	500	2,500	N	Y	Y	Y	E, H
Edison Technology Partners	France	80	1,800	N	Y	Y	N	O, E, H, R, A, S, L, S
Epargne Partenaires SA	France	500	3,000	N	Y	N	Y	G, M, K
Europartners	France	2000	20,000	N	Y	Y	Y	G
Euroventures GYST (Suisse) Mgmt SA	Switzerland	500	5,000	N	Y	Y	N	T
Euroventures Management AB	Sweden	600	5,000	Y	Y	N	Y	O, H, B, O, M, L
Financière Saint Dominique	France	500	15,000	Y	Y	Y	Y	T
Fintombarda SPA	Italy	280	Open	Y	N	N	N	G, L, M, R
Finovest	France	1000	10,000	Y	N	N	N	B, E, H, M, O
Fondinvest	France	n/d	n/d	Y	Y	N	Y	T
Genes GmbH Venture Services	Germany	100	1,000	N	Y	N	Y	L, R, M
Gensvest Consulting Group SA	Switzerland	100	1,200	Y	Y	Y	N	D, E, H, N, A, M, P, P
Gestion De Cap Riscg Del Pals Vasco	Spain	75	1,805	Y	Y	N	Y	T
Globe Investment Funds	Netherlands	100	4,000	Y	Y	N	Y	D, E, H, O, G, P, M, O
Global Finance SA	Greece	200	1200	Y	Y	Y	Y	G, A, N, K, O
Halder Beteiligungsberatung GmbH	Germany	1200	6,000	N	Y	Y	Y	T, A, P
Horizonte Venture Management GmbH	Austria	150	1,000	Y	Y	Y	Y	O, E, H, O, M
ICC Venture Capital	Rep. of Ireland	300	4,000	Y	Y	Y	Y	G, D, M, S, R, H, K
JOVEN SA (IBM Europe)	France	Open	Open	Y	Y	Y	Y	D, N, E, G, H
Industri Kapital	Europe	45,000	N	Y	Y	Y	Y	T
Inter-Risco-Sociedade de Capital de Risco SA	Portugal	500	1,300	N	Y	Y	Y	T
IPE Capital - Sociedade de Capital de Risco SA	Portugal	71	2474	Y	Y	N	Y	T, M, S
Irish SPA	Italy	100	3,000	Y	Y	Y	N	O, A, L, M, O
ISEP	Belgium	200	1,000	Y	Y	Y	Y	T, P
KEL Founder SA	Luxembourg	50	500	Y	Y	N	N	D, E, H, B, O
Kilowatt Besatz Deutschland GmbH	Germany	3,000	Open	N	Y	Y	Y	T
LIM - Limburg Investment Company	Belgium	250	1,500	Y	Y	N	Y	T
Nederlandsche Participatie MIJ NV	Netherlands	400	15,000	N	Y	Y	Y	T
NESBIC Group BV	Netherlands	100	10,000	Y	N	N	N	T
Norvold	Portugal	52	3050	Y	Y	N	Y	L, M, L, A, M, P, I, Q
NPE Investment Advisers A/S	Denmark	1,000	Open	N	Y	Y	Y	T
Palas Finance	France	4500	7500	N	Y	N	Y	O, E, H, G, M, A, P, P
Parsons Ventures BV	Netherlands	200	20,000	N	Y	Y	Y	G, M
S.R.L.B. SA	Belgium	125	2500	Y	Y	N	Y	M, L, G, D, R
Sitra (Finnish Nat Fund For R & D)	Finland	100	2,200	Y	Y	N	Y	D, E, H, B, O, L
Société Générale (SG Cap Dev/Soginove)	France	1,000	Open	N	Y	Y	Y	T
Sollimova SA	France	900	3,000	Y	Y	N	N	D, E, H, B, O, N
SPI Promocione E Sviluppo Imprenditoriale SpA	Italy	100	3,000	Y	Y	N	N	O, A, L, M, O
Start Fund of Kers OY	Finland	100	2,000	Y	Y	N	Y	O, E, H, M, O
SVM STAR Ventures Management GmbH	Germany	262	2625	Y	Y	N	N	D, E, H, O, L
Technologeholding VC GmbH	Germany	280	1200	Y	Y	N	Y	D, E, H, L
Teknoinvest Management A/S	Norway	100	2,000	Y	Y	N	N	D, E, H, B, O
Thomson-CSF Ventures	France	143	1430	Y	Y	P	P	D, E, H, Q
Unternehmensbeteiligungs-Gesellschaft Baden-Württemberg AG	Germany	2100	3300	N	Y	Y	Y	T, E, B, O, P, R
Vismare Investingennootschap NV	Belgium	250	3750	Y	Y	Y	Y	T, P

KEY: Y=Yes, N=No, P=Possible. Sector preferences: A, agriculture; B, biotechnology; C, chemicals; D, communications; E, computer-related; F, construction; G, consumer related; H, electronic-related; I, energy; natural resources; K, financial services; L, industrial automation; M, industrial products and services; N, media, entertainment, leisure; O, medical, health-related; P, property; Q, space, aviation; R, transportation; S, wholesale, trade distributor; T, anything; listed by preference. Any letters in brackets indicate a preference not to invest in that sector.

Leading venture funds in the UK appear on page 6 of this survey

Source: KPMG Corporate Finance

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Graphicraft Holdings Limited

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Management Buy-out

Sole investor:
Barclays Development Capital Limited

CSW Coldform Limited

Manufacturers of cold formed steel wall and roof systems

£3,250,000

Management Buy-out

Lead investor:
Barclays Development Capital Limited

Committed to MBOs.

A few 1994 deals.

Anchord Marine Transportation Limited

Offshore large crane and operator

£6,000,000

Management Buy-out

Co-venturer:
Barclays Development Capital Limited

Blackheath Leisure (Carnivals) Limited

Amusement arcade operator

£5,000,000

Management Buy-out

Syndicate Member:
Barclays Development Capital Limited

Euro Paper (UK) Limited

Manufacturers of chipboard and fibreboard

£3,400,000

Management Buy-out

Syndicate Member:
Barclays Development Capital Limited

Gowriings Mobility Limited

Conversion of vehicles to accommodate wheelchairs

£800,000

Management Buy-out

Sole investor:
Barclays Development Capital Limited

Sheffield Steel Products Limited

Manufacturer of wheelchairs

Management Buy-out

Sole investor:
Barclays Development Capital Limited

If you are considering a management buy-out and require further information contact:

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Pickfords Wharf
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Tel: 071 407 2389
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Barclays Development Capital Limited

VENTURE AND DEVELOPMENT CAPITAL 3

FUND RAISING

A big trek to the US

Robert Smith, chief executive of Morgan Grenfell Development Capital, tells an amusing story about fund raising in the US. Arriving at Madison, the capital of Wisconsin State, Smith and colleagues are searching in their bags for the address of the fund managers they are due to see that day, when the taxi driver interjects: "I know where you are heading. This is Madison, Wisconsin."

"The only thing in town is the pension fund. If you are there for less than an hour, you've had it, more than an hour and you are in with a chance."

Over the last 18 months, UK venture capital fund managers have been tripping over each other in some of the furthest flung corners of the US.

From Wisconsin's pension fund in the north to the giant California Public Employees Retirement System (Calpers), corridors have echoed to the hoarse tones of salesmen trying to convince investors their track record is better than the next fund manager who will walk in through the door.

Mostly, their efforts have been successful. In spite of clocking up many more air miles than they had wanted, Charterhouse Capital Partners, Candover, Schroder, Legal & General and Morgan Grenfell have successfully raised more than £1bn of new capital this year, much of it from US investors.

As Roger Brooke, chairman of Candover says, raising capital has taken a lot longer than for previous funds. Some smaller outlets may also have also been pleasantly surprised that, notwithstanding the additional effort, they have raised new funds.

Eighteen months ago few in

the industry would have bet on some of these funds raising much fresh capital. Their life raft has been the strong burst of flotations in the UK that began last year and transformed the performance of some funds that would otherwise have looked decidedly worse for wear.

Unfortunately for venture capitalists who had hoped to spend less time travelling to raise funds, UK institutions' appetite has been dulled by the roller-coaster performance over the last five years.

"The underlying appetite is still there," says one active UK investor in private equity funds. "But there is a greater degree of cynicism about the claims of fund managers. I think that the proliferation of professional venture capital managers which we saw until four years ago won't recur for some time."

But the pilgrimage to the US is not driven only by the scarcity of capital elsewhere. Bob Johnston, president of Beacon Hill Financial, a Boston-based agency that specialises in raising funds, says there has been a steady growth in the number of investors interested in what used to be known as "alternative investments."

These institutions - some of them big hitters such as Calpers with \$80bn under man-

agement - are allocating fixed percentages of an increasing asset base to unquoted investments.

"What is attracting the US investors is the good news coming from the UK economy," says Johnston. "But there is a surprising amount being raised for MBOs."

The real newcomers are the state pension funds and increased activity by institutions like Harvard, Yale and the Andrew Mellon Foundation. Corporate pension funds first moved into overseas quoted investments in the mid-1980s, followed five years ago by the state pension funds. "Now public pension funds are following corporate funds again," says Johnston. "That is why there is an increase in the amount of dollars available for unquoted investment."

This has led to another development. Many of these investors will only put large sums in venture capital funds. Investing in small amounts makes little sense for a group such as Calpers. As a result, more funds are being raised by fewer fund managers.

The same phenomenon is apparent in the US market. Some observers say this concentration could increase competition for larger buy-outs and

late stage development capital deals, forcing down targeted returns, pushing up the amount of debt in each deal or both.

Howard Cox, general partner at Greylock, the long established Boston-based venture capital firm, disagrees: "If there is more money available, it can encourage opportunities, he says. "The question is the quality of the deal flow."

Another dissenter is Alan Patricof, chairman of Patricof and Co, the US member of Apex Partners. He says there is no shortage of quality deals.

The level of disbursements of venture capital funds has consistently run under or close to the amount of money raised," Patricof says.

For the fund raiser, however, one thing is certain. Fund managers will increasingly have to prove their track record or they will not get past the gatekeepers, the intermediaries who screen and rank the funds and their managers for investing institutions.

"You really have to have a track record and it really has to check out," says Robert Smith.

"Five years ago we were selling dreams and there was absolutely no track record. Now these gatekeepers really do know who we are and have comparative industry statistics for closed funds."

Inevitably, the arrival of gatekeepers has increased the length of time - and therefore the cost - of raising a fund. Johnston says it now takes up to a year, double what it took five years ago.

"They investigated investee companies, they looked at our performance numbers, our reference checks with banks and accountants," says Stephen Curran, chief executive of Candover.

For those funds who can show their quality, the US is likely to remain an attractive source of capital, as long as deal structures remain conservative.

As the industry matures, however, managers with poorer performances will no longer be able to rely on a silver tongue and a winning smile.

More visitors to Madison, Wisconsin, might consider keeping the taxi meter running - they could be out in 20 minutes and able to catch the same aeroplane out.

Richard Gourlay

CORPORATE MOVES

The spotlight falls on 3i

The most significant corporate move of the year was the flotation of 3i, valuing Europe's largest investor in private companies at about £1.6bn. The big question the flotation raises is whether 3i will change the way it does business.

It already dominates smaller deals through a national network of profitable offices near the source of deals. And there are few signs it will move quickly back into the more competitive larger deals, following its unhappy investment in the Isoceles buy-in of Gateway supermarkets which led to a £72m write-off in 1992.

But there is some question as to whether key deal makers in regional offices might be tempted away now that they can cash in share options.

Ewen Macpherson, 3i's chief executive, is adamant that nothing has changed - "the flotation is not affecting the way we do business," he says.

"We took the steps we thought were necessary to make it a manageable investment trust two to three years ago."

For other venture capitalists, 3i's move into the limelight on the fringes of the FT-SE 100 index will raise the profile of the industry to a level it has rarely enjoyed before.

The flotation did not go altogether smoothly. On the day before the issue was priced in June, the FT-SE 100 index fell 40 points. While institutions over-subscribed, the public only wanted 1.1 times the shares they were offered.

But from the first day, trading in the shares has been buoyant. Stockmarket analysts say there is steady institutional demand for what is still a relatively illiquid stock that is likely to join the FT-SE 100 index and that many of who bought in the float have tucked their allocation away for the long term.

The 13 per cent discount at which 3i was launched has steadily narrowed. Now the debate is whether the shares are trading at a discount or a premium to a net asset value which was last assessed in March. For some institutions, 3i will be their first investment in venture capital. Unquoted

investments are interesting at the moment because smaller companies tend to recover faster during the early stages of an economic recovery.

Institutional investors who want an exposure to private equity investment have had to choose between relatively illiquid investment in venture capital funds or the quoted venture capital trusts.

3i, on other hand, offers both liquidity from publicly quoted shares and a portfolio which spreads risk across 3500 companies. What is more, when 3i's last asset valuation was struck in March, the group was using the published

audited earnings figures up to June 1993 for their basis of valuation. Institutional investors are hopeful of only investing off the strength of its own balance sheet.

What about 3i's business? Some competitors question whether the group will change its approach to customers under pressure from new shareholders.

In particular, they question whether 3i will break with its tradition of not interfering with management's prerogative to decide if and when they should sell their company.

3i vigorously denies there will be a change. The company says it gains a competitive advantage from the approach that leaves management in control of the timing of any sale. In any case, the portfolio turns over at its own pace, it argues, providing the necessary realisation of capital gains.

Quite apart from the damage that such a shift would do to a unique selling point, 3i argues it is under much less pressure to realise capital gains than a venture capitalist that raises fixed life funds. In other

respects, 3i was already changing ahead of the flotation, casting off a fusty, avuncular image that had developed since its formation as the Industrial and Commercial Finance Corporation after the war.

It has pulled out of markets where it has no particular advantage - the US, property investment and consultancy. In doing so, it has cut staff from 940 to 570, with a much smaller reduction in the number of people focused on its core business - "it didn't make sense to have a large management consultancy nor large dealing profits from property or to try to have a business in the US," Macpherson says.

But there are signs 3i is leveraging up its market position more aggressively. For the first time, 3i this year raised two funds from external investors, breaking with a tradition of only investing off the strength of its own balance sheet.

The first is a £300m fund for co-investment in continental European management buy-outs and buy-ins. This was designed to allow 3i to expand faster internationally through its remaining foreign offices without putting pressure on its balance sheet.

The second - a fund for co-investment in UK buy-outs larger than £10m - will potentially have a greater impact on 3i's competition. In the past 3i has tended to syndicate chunks of its larger deals - £250m worth over the last 10 years - because it does not take majority positions on boards.

The new fund will allow 3i to retain a greater amount of deals for its own benefit. The group was aiming to raise £100m from up to five institutions but, with the flotation looming, it closed the fund after raising only £75m from the Norwich Union and Australian Mutual Provident.

But these two funds are only a toe in the water. Given a favourable investment performance, 3i is likely to raise more funds, reducing the supply of deals it syndicates to the market and increasing competition for new funds.

Richard Gourlay

More competition for deals

Continued from page 1:

If prices are rising, there will be a tendency for the amount of debt in deals to rise in order to maintain targeted real rates

of return. What has also changed in the last six months is that the banks have returned in force. As Robert Smith, chief executive of Morgan Grenfell Development Capital says: "The banks' marketing departments have locked the credit department in the cupboard."

In recent years, most deals have been structured with as much debt as equity, but most venture capitalists say the ratio of debt to equity has now risen to two to one. As the banks, notably Midland Bank, have poured back into the market, fees and interest spreads on debt have both come down from more than two per cent to under two per cent.

What is more, there are signs that the mezzanine finance suppliers, such as Intermediate Capital Group, which floated this year, are trying to provide more expansion capital and acquisition finance for private companies. Few observers believe debt to equity ratios of 10:1 will quickly return but there is concern - "the cross-over point into lunacy is when people have to deal their way out of debt, through asset sales, rather than trade their

way out of debt," says Shaw. On a more positive note, there is little doubt that a larger proportion of funds raised is now concentrated in more experienced hands as institutional backers become more selective. Undoubtedly, competition will get tougher for deals. Vendors of companies are more demanding and venture capital houses which wait to be introduced to deals, rather than rooting them out themselves, will only get the more thumb-over transactions.

There is also no doubt that the industry could do with an increase in deal flow. What venture fund managers would dearly like to see is a resumption of large corporate acquisition activity which has always led to disposals in the past.

"The real question is whether we're right in believing there's going to be an increased flow of opportunities resulting from the unwinding of acquisitions and deals that were made in the late 1980s," says Candover's chairman, Roger Brooke. "The ability of ourselves and everyone else in the industry to invest will depend on whether we are right."

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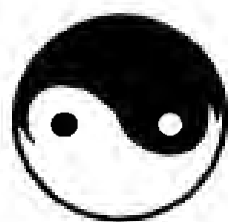
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"Our rivals also had the resources to fund a £65 million deal.

But NatWest Ventures had the determination to close it."

John Lewis Chairman
Principal Hotels

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VENTURE AND DEVELOPMENT CAPITAL 4

Disillusion grows among Britain's new technology companies

Gloom among UK's high tech entrepreneurs

In contrast to the US, early-stage funding for younger, high technology companies in the UK is in relative decline, reports CLIVE COOKSON, Science Editor

At first sight, the British Venture Capital Association's 1993 Report on Investment Activity is the best possible rejoinder to critics who accuse the industry of ignoring high technology in favour of safer fields such as services, retailing and low-tech manufacturing.

Investment in technology and life sciences businesses - comprising the computer, electronics, medical and biotechnology sectors - leaped from £91m in 1992 to £268m last year. That represented an increase from 7.4 per cent to 21.4 per cent of all venture capital investment in the UK.

And the inflow of funds is indeed welcomed by established high-tech companies

wanting to expand as the recession ends.

But most or all of the new money is going into later-stage expansion and management buy-ins and buy-outs. There is no sign of improvement in the area where funds are most desperately needed: investment in innovative new companies. The BVCA figures show that total start-up and early-stage investment fell from £28m in 1992 to £9m in 1993.

"Early-stage funding is in relative decline, as VC companies insist on larger deals to help cover their costs," says Charles DesForges, UK-based president of TIL, the European technology transfer network. "If you look on this as a river, everyone is going down to the estuary to look for the fish that are already fat, and opportu-

nities further upstream are being ignored."

The merger of Trinity Capital with Advent International, announced this month, has further reduced the ranks of those specialising in young high-tech companies. John Walker, co-founder of Trinity and now managing director of Advent International's European operations, says returns on his early-stage funds have been "on the borderline" - "our experience was telling us we needed larger deals."

It is easy to find high-tech entrepreneurs who are bitterly disillusioned with UK venture capitalists. One is Mike Fowler, a biology professor at Sheffield University, who wasted 18 months slogging round the UK-based venture capital funds, on behalf of his small university-based biotechnology company,

Plant Sciences Ltd.

"In the UK, so much management time is spent trying to raise money that the business itself can disappear," he says. "The people we dealt with showed a total lack of vision and no understanding of risk, as applied to a start-up ven-

ture. They took so long to make up their minds that the company could have died in the process."

Fortunately, Plant Sciences survived the ordeal and is now flourishing - with US venture capital funding and a new name, Phytera. Fowler says that, after he got fed up with the search for British backers,

it took him just three months to raise \$13m through Commonwealth BioVentures of Massachusetts.

"The American attitude couldn't have been more different," he says. "We were dealing with people who had actually been through the process

of starting companies themselves and who understood what we were trying to do."

So Fowler is still in Sheffield, running a research programme to develop plant-based pharmaceuticals. But he is now vice-president of scientific affairs for a fast-growing US-owned company - "I'm very happy with the outcome from

my personal point of view and that of my staff. The university came out of it well, too," he says. "I'm very unhappy from the point of view of UK Ltd that all our technology, the patents and know-how, are now American owned."

Carolyn Hayman, joint managing director of Korda & Co, one of the handful of UK companies specialising in technology-based start-ups, sees little prospect of much more money flowing into early-stage venture funds. "We're finding it incredibly difficult to raise money for our new fund [the £20m Korda European Technology Fund] - and if we're finding it hard, it must be well-nigh impossible for new entrants," she says.

A fundamental problem in the UK, she says, is that "the playing field is so uneven. The

tax regime is so favourable to pension funds - and you cannot expect pension funds, by their very nature, to invest in start-ups."

Faced with a shortage of institutional support, Hayman and others are paying more attention to wealthy individuals as a potential source of high-tech venture capital.

"In the US, a significant proportion of venture capital comes from individual investors - in complete contrast to Europe," DesForges says. "These 'business angels' are a relatively untapped source of capital here."

The trouble, according to DesForges, is that there is no mechanism for channelling investments from individuals to high-tech entrepreneurs, while providing the investors with an expert assessment of

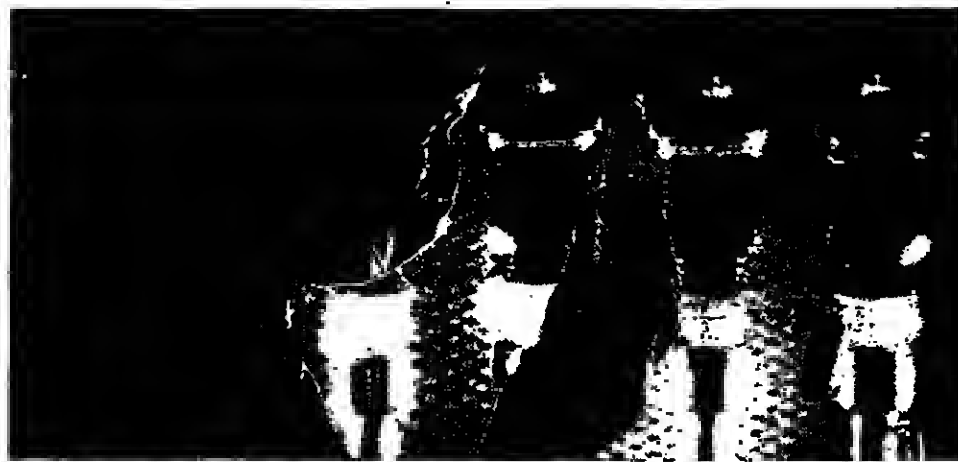
the would-be companies and the entrepreneurs with the managerial advice they need to run a business.

DesForges has a solution in mind for the latter problem. "The real issue is that the early-stage company needs management skills that it does not usually possess. We're thinking of a fund that would put interim managers into the business, to train and guide the owner during the early stages of growth. It would be a short-term mission and they would move on when the business was established."

That funding problem, however, perhaps the way to draw more individual investors into early-stage ventures would be to level the tax playing-field between pension funds and everyone else. The government could allow people to set up tax-free Individual Retirement Accounts, on the US model, which they could use to invest in start-up companies; at the same time, it might even help to make the initials IRA respectable.

Fall in share prices has worried investors

A dilemma for new biotech companies



Approval for a clinical trial is won far more speedily in Europe than in the US

ECONOMIC recovery may be whetting the appetite of risk capital investors in many industrial sectors, but not yet in biotechnology.

"What we have now is a protracted and difficult bear market with a shortage of capital and low prices for companies," says Mr Brook Byers, a partner at California specialist biotechnology venture capital firm Kleiner Perkins.

The bear run began in 1992 when the whole healthcare sector, including some large capitalisation drug company stocks that had been stars in the 1980s, was threatened by the prospect of healthcare reform imposed by the Clinton Administration in Washington.

Biotechnology was especially vulnerable since the proposed reform was designed, among other things, to control prices that could be charged for drugs. Biotech companies rely on the prospect of being able to charge high prices for new treatments to pay off their substantial investments.

At the same time, confidence in the sector was undermined by the failure of some of the most promising quoted companies. These included Centocor, Xoma and Synergen, whose multimillion dollar market capitalisations all but vanished when their drugs failed in clinical trials.

As a result, share prices of quoted companies fell rapidly almost across the board. With no prospect of a profitable exit, venture capitalists sought other investment vehicles. This was a reversal of fortune for the sector. As one biotech company chief executive says: "Early 1992 was a waterfall of money. You held out your cup and it was full."

Now investors are asking themselves whether they have created too many companies.

"People are beginning to realise that 1,300 to 1,400 biotech companies means that the demand for capital to keep them going is too high. Biotech is rapidly running out of money," says Mr Alan Carr of San Francisco investment bankers Hambrecht and Quist.

The sector's appetite for capital can be measured by comparing cash reserves with the rate at which they are being

consumed. "In aggregate, there is less than two years' money left," says Mr Carr.

US stock broker Lehman Brothers follows 100 biotech companies, of which 45 have less than two years cash left and 17 a year or less.

The prospect of a heavy round of rights issues or secondary public offerings has not only depressed the values of quoted companies but also those awaiting their initial public offerings. Risk capital investors have had to switch part of their funds from seeds and early-stage ventures to the mezzanine to keep their earlier investment vehicles alive, according to Mr Stephen Burrill of San Francisco finance house Burrill and Craves.

Mr Jeremy Curnock-Cook, director responsible for biotechnology investment at Rothschild Asset Management, echoes this, saying that early stage

venture investors "are beginning to ask themselves whether to limit investment. Are we not better off making the ones we have already more successful?"

Amid the gloom, investors are looking beyond the US, the original home of both venture capital and biotechnology, to Europe. There are several incentives to cross to the Old World for both US and European investors:

● Europe has yet to see the failure of any of its larger biotech companies. Rather the reverse: the rapid progress being made by British Biotech, now the world's 12th largest biotech company by market capitalisation, has maintained confidence in the UK and, to a lesser extent, the rest of Europe while the US languishes, says Curnock-Cook.

● European scientists are increasingly prepared to con-

sider becoming entrepreneurs. Research this year by Mr Daniel Schoch of the Hantes Ecole Commercial University of Lausanne suggests that while 28 per cent of Swiss scientists had considered starting a company, only four per cent had. None had been started with local venture capital because there is virtually no Swiss venture capital industry.

● It is easier to conduct research and development in Europe - "it is only a slight exaggeration to say that the Food and Drug Administration is driving some companies to Europe," says Mr Carr.

"Approval for a clinical trial in Europe can take one month, in US it can take 13-14 months." The gap is likely to grow with the establishment in 1995 of the pan-European Medicines Evaluation Agency.

● There is a "reverse brain drain", according to Mr Burrill, of experienced biotechnology entrepreneurs from the US to Europe. Examples include Mr Norwell Stabbing, formerly of Amgen and Genentech, the two highest capitalisation US biotech stocks, who is now chairman of the UK's Chiroscience.

● Changes in stock market regulations to ease the initial

public offerings of companies with no profits record. The London Stock Exchange implemented one round of reforms last year and is close to enacting another.

Privately, some of venture capitalists fear that the new-found European confidence in biotechnology will be short-lived. They suggest that European investors and entrepreneurs are unsophisticated and may become victims of the sector's appetite for "a new generation of suckers".

Others argue strongly against this view. Several say that European biotech compa-

nies are better businesses than those in the US, which before the current difficulties found it too easy to raise capital.

Some believe that the biotech sector generally will recover, partly because it "always does" and partly because of a wave of mergers and acquisitions in the wider healthcare industry.

They also note that the share price falls so far - an average of 25 per cent this year alone in Lehman's 100-stocks - has created bargains. In the absence of commercial funds, many large healthcare companies are scouring the sector for the good buys. A number of deals have already been struck.

Venture capitalists welcome the arrival of the pharmaceutical companies which hold out the promise of higher prices for quoted companies and hence an easier exit eventually from unquoted investments.

At least as important, they should bring a higher profile to the sector and encourage the view that the principle of biotechnology, rather than the performance of individual companies, is valid.

"The jigsaw must be put together. It's time to see the forest not the trees," says Mr Curnock-Cook.

Daniel Green

OUR FIRST YEAR ...

Benfield Group Limited
Development Capital
Total Funding: £50 million
Equity led by RBDC
RBDC Investment: £7 million
Date: June 1994

Direct Holidays plc
Development Capital
Total Funding: £1 million
Led by RBDC
RBDC Investment: £1 million
Date: September 1994

Dolond & Aitchison Group
MBO
Total Funding: £117 million
Syndicate Partner
RBDC Investment: £4.2 million
Date: July 1994

Dynamic Leisure Limited
MBO
Total Funding: £10 million
Led by RBDC
RBDC Investment: £2.7 million
Date: October 1993

Grampian Country Food Group Ltd
Development Capital
Total Funding: £19 million
Syndicate Partner
RBDC Investment: £2.2 million
Date: August 1993

Macdonald Hotels Limited
Equity led by RBDC
Total Funding: £32.5 million
Syndicate Partner
RBDC Investment: £3 million
Date: August 1993

Melville Dundas Limited
Development Capital
Total Funding: £1 million
Syndicate Partner
RBDC Investment: £500,000
Date: March 1994

Melville Exhibition Services
MBO
Total Funding: £14 million
Syndicate Partner
RBDC Investment: £750,000
Date: July 1994

Paramount Clubs Limited
Development Capital
Total Funding: £16 million
Led by RBDC
RBDC Investment: £4.2 million
Date: July 1994

Principal Hotels (Europe) Limited
MBO
Total Funding: £71.8 million
Syndicate Partner
RBDC Investment: £3 million
Date: March 1994

Robison & Davidson Limited
MBO
Total Funding: £10.5 million
Co-led by RBDC
RBDC Investment: £1 million
Date: February 1993

Saville & Holdsworth Limited
Capital Re-organisation
Total Funding: £5.5 million
Led by RBDC
RBDC Investment: £5.5 million
Date: September 1993

... AND DEVELOPING VERY SUCCESSFULLY

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The US venture capital industry, which was becalmed for lack of funds in the early 1990s, is once again racing away on a following wind.

In the first half of 1994, US venture capital funds raised \$1.88bn, a 45 per cent increase over the same period last year, according to Venture Economics, the New Jersey-based information service. This is more than was raised in the record-breaking 1993 fund-raising round and only \$660m short of the total raised in 1993.

What is more, this year's fund raising was achieved by 35 venture capitalists, nearly half the number who raised the capital in 1993, confirming the industry's move towards raising larger funds.

With more funds available, the question facing venture capitalists is where the capital will be invested and how quickly. Implicit in this question is whether the US venture capital industry has matured since the 1980s and will better manage the new funds.

Looming over the industry is the fact that the market for initial public offerings is not as encouraging as even six months ago. During the first half of 1994, 79 venture-backed companies went public with a value of \$2.12bn, up on the

Richard Gourlay reports on a record-breaking year

Fresh US capital in fewer, larger funds

same period last year, according to VentureOne, a San Francisco-based research organisation. But venture capitalists say the figures are deceptive and that the market is sagging.

According to VentureOne, it is also becoming far expensive for venture-backed companies to raise capital through an IPO. While in 1993, companies needed to sell on average 1.6 per cent of their equity for every million dollars raised, that figure has jumped to 2 per cent in the first half of 1994. This effectively means the cost of raising capital through an IPO has risen by 25 per cent, making it less attractive to float at the moment.

What is more, the recently floated venture-backed companies are not performing as well as they have done in the past year in the after-market, barely posting gains over their issue price on average, compared

with an 18 per cent increase last year. Venture capitalists are therefore accepting they will need to build more companies rather than seek a more immediate IPO.

The concentration of fresh capital in fewer, larger funds, threatens to increase competition in the larger deals. Some observers say more cash will be chasing a similar number of deals, with the effect that rates of return will fall and more debt will begin to creep back into deal structures.

The fear is that venture capitalists will feel they have to put money to work, irrespective of the prices they pay and the quality of the deals they are currently seeing. Alan Patricof, chairman of Patricof and Company, the US member of Apex Partners, thinks these fears are overdone. "There is a much more

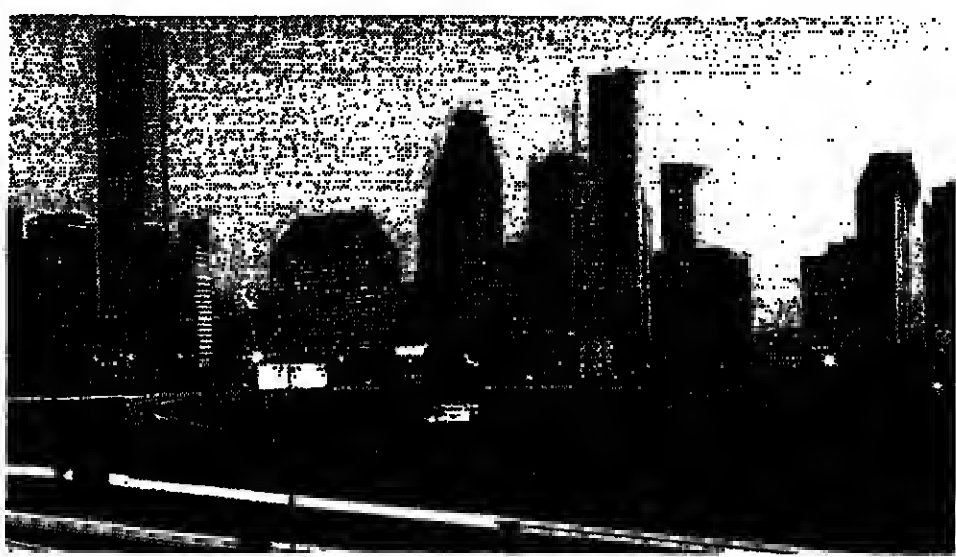
mature attitude to pricing, more disciplined pricing," he says. "I see very little sign of extreme valuations."

He believes the industry has matured since the 1980s - "there is no question that there is a maturing in the industry," he says.

"There are a lot more experienced people who have been around since the early '80s, there are bigger firms that are better staffed."

The competition means there will be more need for venture capitalists to differentiate their product. More funds will be backing turnarounds and distressed private and public companies, says Bob Johnston, president of Beacon Hill Financial, a Boston-based agency that specialises in raising funds.

But while specialists and well-known individuals will always be able to raise early



Houston's business centre: the states of Texas and Oklahoma are considering starting seed funds

stage seed funds, there is a move towards investing in later stage companies, says Jesse Reyes, managing director of Venture Economics.

Whereas in the early 1990s many funds became interested in early stage investments and start-ups, they are doing more later stage growth capital for companies already making profits.

This could become a problem for early stage funds even though the large state pension

funds, which are increasingly allocating funds to the asset class, frequently say they want to support early stage development capital.

"They say they are firmly committed to early stage development capital - but there are not a lot of \$100m early stage seed funds around," says Reyes.

To get around the problem, Reyes says he is hearing that some states, including Texas and Oklahoma, are considering

starting seed funds.

As far as the areas that have received venture backing and have provided their investors with an exit, there has been a large swing in the first half of the year.

No fewer than 18 communications and networking companies raised \$636m in the first half of the year, up from 10 flotations raising \$504m the previous year.

As concern about President Clinton's healthcare reform

eased, so the number of flotations more than doubled to five and the amount raised rose by a factor of four to \$217m.

Biotechnology and pharmaceuticals companies raised only \$162m from 11 IPOs, down from \$278m in the first half of 1993.

Venture Economics says its most recent figures on overall returns explain why more institutions like state pension funds are allocating more funds to private equity investment.

In 1993, the overall internal rate of return - the annual compound rate of return to the investor - rose to 18.3 per cent up from 13.5 per cent in 1992 according to the study of over 480 funds.

This improvement will have something to do with the state of the US economy. But there are also fundamental changes in the way growth companies are being financed.

Venture capitalists have moved much more towards growth capital for companies growing fast but already into revenues and profits," says Patricof. "The banks still are not providers of capital to younger companies - they are asset not cash flow lenders. If you are looking for capital - venture capital is the only place to go."

Apprehension over the UK's new-style venture capital trusts

Plans face heavy criticism

When the UK's chancellor announced a new type of venture capital trust with tax-free returns for investors in his last Budget, the venture capital and investment industry was delighted.

The new trusts seemed to be offering a solution to the long-standing problem of the "equity gap", first identified more than half a century ago - the gap between the small amounts of short-term loan finance offered to small businesses by banks, and the substantial amounts of long-term capital available to larger, more established companies.

But since details of the proposed trusts' likely structure were published in a consultative document this spring, the chancellor's plans have come in for heavy criticism.

The industry's clamour for changes in the draft rules has centred on two issues: the tax incentives offered to investors, and the restrictions on the size of target companies and the maximum investment allowed in each company.

The Inland Revenue discus-

sion document proposes that dividends and capital gains from venture capital trusts should be tax-free, but there should be no up-front relief, and losses should not be allowable against tax. This would put VCTs on a level with personal equity plans, except that the maximum investment by each individual would probably be about £100,000 a year, rather than the £9,000 annual limit.

So far, the venture capital section of the investment trust

Ministers are reviewing responses to the consultative document

industry has not benefited from the massive popularity of using personal equity plans to invest in collective funds. Venture capital trusts are usually excluded from the investment by rules stipulating that at least half the fund must be invested in ordinary shares in listed companies. Venture capital funds by their very nature invest largely in unquoted

companies, and often provide debt rather than equity finance.

As Peps are aimed mainly at small-scale investors, this has not been too big a problem - anyone investing in venture capital should have a broad enough portfolio that they can use up their annual Peps allowance in other ways.

However, VCTs want to attract a larger, wealthier type of investor, and the industry believes that more sweeteners are needed to make investors stomach the extra risk.

One favoured solution would be for venture capital trusts to be classified as unquoted companies for the purpose of qualifying for reinvestment relief from capital gains tax - the last Budget introduced a scheme whereby individuals disposing of other investments, from shares to second

homes, can postpone the capital gains tax bill by reinvesting the proceeds in unquoted trading companies.

Another popular option would be to give VCTs the same tax breaks as the enterprise investment scheme, which offers 20 per cent up-front tax relief, and allows losses to be offset against income or capital gains tax.

The industry is united in its demand for better tax breaks, but there is less agreement on whether the limits on size of investment and size of company should be changed. The Inland Revenue's consultative document suggests that there should be a limit on investment in any one company of £1m a year, and target companies should have assets of less than £10m to qualify - "the scheme's aims would not be served if funds were diverted

into very large unlisted companies," the document says.

But venture capitalists and investment trust managers have been bombarding the Inland Revenue with submissions on how the limits on the size of investment will mean it will not be worth fund managers' while to run such trusts, because researching small companies thoroughly for the sake of an investment of less than £1m would cost far too much.

The Association of Investment Trust Companies, for example, has submitted a demand that the limit for each investment should be raised from £1m to £3m (with a requirement that at least 20 per cent should be of less than £1m), and the size of potential target companies should be increased to between £20m and £30m.

"The lower limits proposed in the consultative document would generate uncommercial administrative and management costs," the AITC said.

The opposite view is put by Mr Ian Tulloch, a director of Glasgow-based fund managers Murray Johnstone. He believes that allowing larger investments would make managers concentrate on the more cost-effective upper end of the scale, and would work against the principal objective of the trusts, which is to help bridge the equity gap - "VCTs should be used to support small and medium-sized companies, not medium-sized companies only," he says, as small companies seeking injections of more than £1m are already well-served by current sources of venture capital.

Mr Gilbert Chalk, chairman of the British Venture Capital

Association's taxation committee, proposes that as an alternative to giving investors 20 per cent tax relief, the trusts themselves could be given a 20 per cent incentive on investments of less than £500,000, to encourage trusts to focus on companies at the smaller end of the scale.

The research involved in making small investments in very small companies might be too expensive for London firms with high overheads, says Mr Tulloch, but he

There is a strong belief that the Inland Revenue will make concessions

believes that regional venture capital managers with lower costs and better links to local businesses would have no problem with operating venture capital trusts using the lower limits.

"Provided that the tax incentives are such that we believe we can attract money, we would be very interested in running a venture capital

trust." He also suggests the development of partnerships and co-investment arrangements between venture capitalists and business angels, which would help spread the burden of costs.

Responses to the consultative document are now under consideration by ministers. The final form for the new trusts will not be announced until later this autumn, possibly in the next Budget.

There is a strong belief within the industry that the Inland Revenue will make some concessions in line with submissions - the most likely is thought to be allowing the trusts to qualify for roll-over capital gains tax relief - but there is still apprehension in some quarters over whether the concessions will go far enough.

The extent of the revenue's generosity will determine whether VCTs develop into a sturdy bridge across the equity gap, or just another lifeline to a lucky few businesses.

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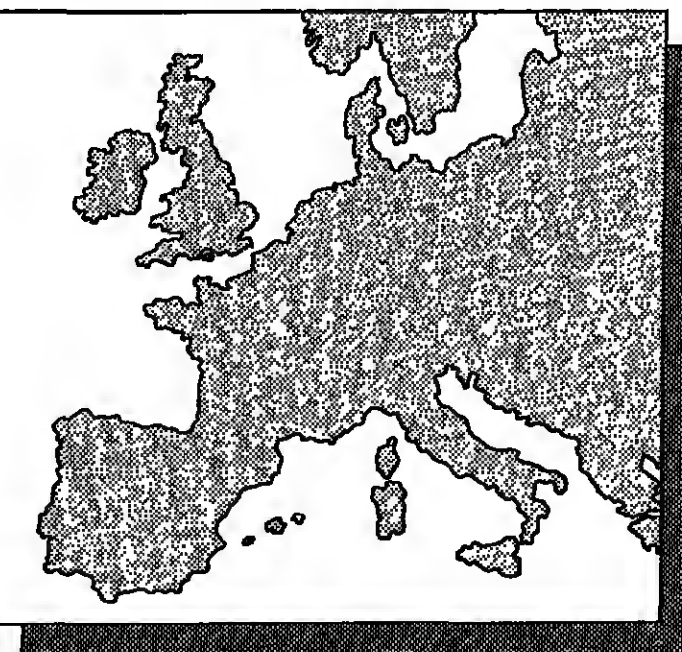
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VENTURE AND DEVELOPMENT CAPITAL 6

BUZZWORDS IN BRIEF

A language all its own

The venture capital industry, like any other has its own jargon, some of it unprintable. Here, however, is Richard Gourlay's selection of expressions to help companies seeking capital through the linguistic maze.

Bumbo: Buy-in management buy-out. A hybrid between buy-in and buy-out where the venture capitalist will inject their own management team alongside existing managers.

Burn rate: the rate at which a business uses up the funds it raises. Many bio-technology companies burn cash particularly fast.

Business angel: private investor who finances small

companies and sometimes gives them the benefit of his or her expertise. The best angels are those who have been in business and have advice worth hearing.

Business plan: the document put together by managers to justify their application to financiers for backing.

A good plan should contain summaries of past and projected profit and loss accounts, balance sheets and cash flows. Also details of products and services, markets, future strategy and profiles of the managers. A simple rule: rarely will life turn out as forecast in the business plan.

Captive funds: venture capital organisations which form part of larger financial services groups. Usually they do not raise their own discrete funds but draw on the resources of their parents.

Carried interest: the share in the proceeds of sale of an investee company that is kept

by the venture capitalist. Corporate venturing: the practice of a large company taking an equity stake or establishing a joint venture with a smaller business to benefit from the smaller firm's specialist expertise. The large firm can provide finance, management back-up and distribution outlets which would not be available to the smaller partner.

Deal flow: the number of investment propositions which come to the venture capitalist. What matters is *quality* not quantity.

Development capital: later stage venture capital invested when the business has become established and needs extra funds for expansion.

Enterprise investment scheme: the replacement for the government's discredited Business Expansion Scheme, the EIS gives front-end tax relief of 20 per cent for certain investments in certain com-

panies as well as exemption from any capital gains. Unlike under the BES, investors can take an active part in EIS companies.

Exit: the way a venture capitalist realises all or part of an investment by either arranging a flotation of the company or selling it to another company or trade buyer. A growing range of exits is becoming available and the list also includes a refinancing of the company by another group of venture capitalists or the purchase of all the shares by the company's own management.

Hands on/hands off: some venture capitalists take a very close interest in their investee companies and will provide management expertise. Others, like 3i, monitor, but let the management get on with it.

Hurdle rates: institutional investors have grown restive at the fees venture capitalists earn and have started to insist that funds achieve a basic return before managers can claim their carried interest. They often set hurdles based on a return on gilts or one of the leading stock market indexes and are beginning to look at more demanding hurdle measures like the FT-SE All share performance.

Independent funds: these do not form part of larger financial groups. They raise their money from institutional and other investors. Internal rate of return (IRR): different people calculate this in different ways but it basically means the compound annual rate of return to the investor. It includes dividend distributions and profits from disposals or the profits shown on a fair valuation of an investee company. Inevitably, venture capitalists differ over when investments should be written down, up or off, so the figures are rarely strictly comparable.

Lemons and plums: bad investments invariably go wrong before the good ones produce profits. The lemons usually ripen before the plums. Living dead: a portfolio company which is just about trading profitably but which shows little sign of ever meeting the venture capitalist's early high expectations.

Management buy-in: the purchase of a business by an outside manager or team of managers with the help of a group of financial backers. Management buy-out: the purchase of a business by its existing management with the help of a group of financial backers. Most of the equity comes from the venture capitalist or other financial backer. The management puts up a small amount of finance for a disproportionately large percentage of the equity.

Recovery or turnaround financing: supplied to companies in difficulties where the venture capitalist sees an opportunity to beef up or change the management and return the company to profits. Some venture capitalists have employed insolvency specialists to identify such investments.

Refinancing: can be a sign of either failure or success. If a company performs poorly it may need an extra injection of funds. Equally, if it does very well, the management may be able to refinance the business on terms more favourable to themselves with their original venture capital backers.

Replacement capital: funds provided to allow an existing shareholder to sell some or all of his shares. Spin-out: financial venture capitalists rarely expect the first injection of funds to meet a business's needs. A second or even a third round of funding will almost certainly be needed later as the business grows or unforeseen problems arise. At this stage the original venture capital investor may reduce his holding and bring in others to spread the risk.

Seed capital: usually quite small amounts of capital provided to turn a good idea into a marketable product or service. This can be the riskiest form of venture capital since the concept, the technology, the entrepreneur and the market are all unproven.

Split-out: a new company set up by a larger established group to exploit new developments or fresh market opportunities and in which the management team and a venture capital backer also take equity stakes.

Star: a company which is so successful that it pays for all the failures and humdrum performers in the venture capitalist's portfolio.

Sweet equity: the extra percentage of a company's equity

LEADING VENTURE FUNDS IN THE UK

Co. plc	Telephone	Minimum invest. (£000)	Maximum invest. (£000)	Start Ups	Development	Regional	MBR/ MBI	Sector Preference	Equity	Mezzanine	Debt
	071 928 3131	0	Open	Y	Y	Y	Y	Y	Y	Y	Y
Abel Venture Managers Ltd	0372 470373	100	500	N	Y	Y	Y	KHE	Y	Y	N
Abingworth Management Ltd	071 835 6745	500	2,000	N	Y	Y	Y	BOBK	Y	N	N
Abnexus Fund Managers Ltd	0224 631999	250	2,000	P	Y	Y	Y	TENCO	Y	N	N
Acumen Investments Ltd	071 408 0234	500	5,000	N	Y	Y	Y	ORIS	Y	N	N
Advent International plc	071 533 0800	2,000	30,000	P	Y	Y	Y	TNCDGOSK	Y	N	N
Advent Ltd	071 830 9811	250	2500	P	Y	Y	Y	DBHCOMGNP	Y	N	N
Alta-Berkeley Associates	071 734 4884	250	1500	Y	Y	Y	Y	DOSEN	Y	N	N
Apex Partners & Co Ltd	071 872 8300	500	50,000	Y	Y	Y	Y	DBHCOMGNP	Y	N	N
Asia International Trust Co Limited	071 434 4141	100	2,000	N	N	Y	Y	HEGP	Y	N	N
BancBoston Capital	071 332 8053	800	7,000	N	Y	Y	Y	T	Y	Y	N
Bankers Trust Company	071 982 2500	500	Open	N	P	Y	Y	T	Y	Y	Y
Barclays Development Capital Ltd	071 407 2389	500	Open	N	Y	Y	Y	TGCMOSK(P)	Y	N	Y
Barclays Venture Capital Unit	071 242 4900	100	750	N	Y	Y	Y	T	Y	N	N
Baring Capital Investors Ltd	071 408 1282	3,000	Open	N	Y	Y	Y	T	Y	N	N
Baring Venture Partners Ltd	071 280 5000	0	1,500	Y	Y	P	P	TNDG(P)	Y	N	N
Barnes Thomson Management Services Ltd	071 487 3870	250	5,000	P	Y	Y	Y	ED	Y	N	N
Barronmead plc	071 242 4900	150	2,000	N	Y	Y	Y	TP	Y	N	N
Birmingham Technology (Venture Capital) Ltd	021 259 0881	20	250	n/d	n/d	n/d	n/d	TP	Y	N	N
British Linen Bank Ltd	031 243 8323	250	1,000	N	Y	Y	Y	TBMS	Y	N	N
British Steel Industry Ltd	0742 731812	10	150	Y	Y	Y	Y	TOSCHE	Y	N	N
Brown Shipley Venture Managers Ltd	071 268 6555	1,000	5,000	N	Y	Y	Y	TP	Y	N	N
Business Link Dorchester	0302 340320	20	100	Y	Y	Y	Y	TNP(P)	Y	N	Y
Cairnford Associates Ltd	071 431 0881	200	1,000	Y	Y	Y	Y	HMO(P)	Y	Y	Y
Cambridge Capital Management Ltd	0223 312556	200	500	Y	N	N	N	TM	Y	N	Y
Candover Investments plc	071 489 9848	2,000	Open	N	Y	P	Y	T	Y	N	N
Capital for Companies Ltd	0522 439043	200	500	N	Y	Y	Y	MLSCHEP(P)	Y	N	N
Causeway Capital Ltd	071 485 2525	2,000	6,000	Y	Y	Y	Y	T	Y	N	N
Cheriton Development Capital Ltd	071 248 4,000	1,000	50,000	P	Y	Y	Y	TP	Y	N	N
Chesapeake Investment Bank Limited	071 982 8553	500	10,000	N	Y	Y	Y	T	Y	N	N
Chemical Venture Partners	071 777 3365	2,000	30,000	N	Y	Y	Y	T	Y	N	N
CINVEN Ltd	071 245 8911	500	Open	N	Y	Y	Y	T	Y	N	N
Closely Investment Management Ltd	071 426 4,000	1,000	5,000	N	Y	Y	Y	T	Y	N	N
Clydesdale Bank Equity Limited	041 248 7070	250	3,000	P	Y	Y	Y	T	Y	N	N
CVC Capital Partners Ltd	071 268 1488	1,000	Open	N	Y	Y	Y	TP	Y	N	N
Cyprus Venture Partners	0685 273871	200	Open	Y	Y	Y	Y	DEHBOGK	Y	N	N
Derbyshire Enterprise Board Ltd	0346 207390	50	Open	Y	Y	Y	Y	ML(P)	Y	N	N
Dunedin Ventures Ltd	031 315 2050	750	1,500	N	Y	Y	Y	T	Y	N	N
E M Warburg Pincus & Co Int Ltd	071 321 0129	n/d	n/d	Y	Y	Y	Y	T	Y	N	N
ECI Ventures	071 606 1000	1,000	5,000	N	Y	Y	Y	T	Y	N	N
Electra Involve Ltd	071 831 9801	250	1,500	N	Y	P	N	T	Y	N	N
Electra Kingsway Ltd	071 831 6464	5,000	30,000	Y	Y	Y	Y	T	Y	N	N
Enterprise Equity (P) Ltd	0222 242500	500	750	Y	Y	Y	Y	T	Y	N	N
Equity Ventures Limited	0272 813118	5	150	Y	Y	Y	Y	TP	Y	N	N
Eurocontinental (Acheson) Ltd	071 600 1689	350	3,500	P	Y	P	Y	T	Y	N	N
European Acquisition Capital Ltd	071 248 4050	3,000	12,000	N	Y	N	Y	T	Y	N	N
Finlay Ventures	041 204 1321	100	500	P	Y	Y	Y	T	Y	N	N
Fleming Ventures Ltd	071 828 8211	500	1,000	N	Y	Y	Y	T	Y	N	N
Foreign & Colonial Ventures Ltd	071 722 9829	1,000	7,500	N	Y	Y	Y	T	Y	N	N
Garmore Ventures Capital	071 782 2000	300	5,000	N	Y	Y	Y	T	Y	N	N
GILF Development Capital	071 482 0300	750	750	N	Y	Y	Y	T	Y	N	N
Goldman Sachs International	071 774 1000	10,000	Open	N	Y	Y	Y	T	Y	N	N
Granville Private Equity Managers Ltd	071 488 1212	500	25,000	N	Y	Y	Y	T	Y	N	N
Great Winchester Capital Fund Managers	071 584 4277	250	1,000	Y	Y	Y	Y	T	Y	N	N
Gresham Trust plc	071 806 8474	300	2,500	N	Y	Y	Y	TP	Y	N	N
Grosvenor Venture Managers Ltd	0753 811612	750	2,500	N	Y	Y	Y	TP	Y	N	N
Guinness Motion Development Capital Ltd	071 623 9333	250	1,000	N	Y	Y	Y	TP	Y	N	N
Hambro European Ventures Ltd	071 782 2593	1,000	12,000	P	Y	Y	Y	T	Y	N	N
Henderson Venture Managers Ltd	071 410 4415	1,000	3,000	N	Y	Y	Y	T	Y	N	N
Highlands and Islands Enterprise	0483 234171	0	500	Y	Y	N	Y	T	Y	N	Y
Hodgson Martin Ltd	031 226 7644	250	2,000	Y	Y	Y	Y	T	Y	N	Y
Industrial Development Board for Northern Ireland	01222 232323	0	Open	Y	P	N	P	T	Y	N	N
Industrial Technology Securities Ltd	0753 862524	150	500	N	Y	N	N	T	Y	N	N
Irony & Sme Development Capital	031 225 1357	500	2,000	N	Y	Y	Y	T	Y	N	N
Kleinwort Benson Development Capital Ltd	071 936 6800	250	20,000	P	Y	Y	Y	T	Y	N	N
Kleinwort Benson Ltd	071 623 8000	2,500	Open	N	Y	Y	Y	T	Y	N	Y
Korda & Company Ltd	071 253 5882	50	700	Y	N	N	N	T	Y	N	N
Lancashire Enterprises plc	0772 303020	0	500	Y	Y	Y	Y	T	Y	N	N
Larpen Newton & Co Ltd	071 251 9111	50	500	Y	Y	Y	Y	T	Y	N	N
Lazard Ventures	071 588 2721	300	Open	N	Y	Y	Y	T	Y	N	N
Legal and General Ventures Ltd	071 488 1888	1,000	60,000	N	Y	Y	Y	T	Y	N	N
LGA Development Capital Ltd	071 838 7707	100	Open	N	Y	Y	Y	T	Y	N	N
Lloyds Development Capital Ltd	071 800 3226	400	Open	N	Y	Y	Y	T	Y	N	N
London Wall Industrial Consultants Ltd	0823 285199	50	100	P	Y	P	Y	T	Y	N	N
Lothian Enterprise Ltd	031 220 2100	10	250	Y	Y	N	Y	T	Y	N	N
March Investment Fund Ltd	061 872 3676	100	1,000	N	Y	Y	Y	T	Y	N	N
Mercury Development Capital	071 280 2508	2500	30,000	P	Y	Y	Y	T	Y	N	N
Metropolitan Capital PLC	071 435 8281	30	250	N	Y	Y	Y	T	Y	N	N
Midland Growth Capital	071 280 7625	100	750	N	Y	Y	Y	T	Y	N	N
Midlands Venture Fund Managers Ltd	0602 676400	5	125	N	Y	Y	Y	T	Y	N	N
Montagu Private Equity Ltd	071 260 0232	750	Open	P	Y	Y	Y	T	Y	N	N
Morgan Grenfell Development Capital Ltd	071 588 4545	2,000	20,000	N	Y	Y	Y	T	Y	N	N
MTI Managers Ltd	0823 250244	250	1,000	Y	Y	N	Y	T	Y	N	N
Murray Jones Private Equity Ltd	041 226 3131	500	10,000	N	Y	Y	Y	T	Y	N	N
NatWest Ventures Ltd	071 375 5000	500	Open	N	Y	Y	Y	T	Y	N	N
Noble & Co Ltd	031 225 9877	50	Open	Y	Y	Y	Y	T	Y	N	N
Noble Grosvenor	031 226 7011	400	2,000	Y	Y	Y	Y	T	Y	N	N
North of England Ventures Ltd	061 235 6000	200	2,000	Y	Y	Y	Y	T	Y	N	N
Northern Venture Managers Ltd	091 232 7068	200	Open	Y	Y	Y	Y	T	Y	N	N
Palatine Fund	061 834 2332	250	1800	P	Y	Y	Y	T	Y	N	N
Parthenon Ventures Ltd	071 493 6885	200	Open	N	Y	Y	Y	T	Y	N	N
Phidra Ventures	071 628 6365	1,000	15,000	N	Y	Y	Y	T	Y	N	N
Phoenix Fund Managers Ltd	071 638 3818	1,000	10,000	N	Y	Y	Y	T	Y	N	N
Piper Investment Management Ltd	071 727 3866	250	1,000	P	Y	P	N	T	Y	N	N
Prudential Technology Investments Ltd	0222 423132	20	1,000	Y	Y	N	N	T	Y	N	N
Prior Investments Limited	071 408 7339	250	1,000	N	Y	Y	Y	T	Y	N	N
Prudential Venture Managers Ltd	071 831 7747	1,000	40,000	N	Y	Y	Y	T	Y	N	N
Quayle Munro Ltd	031 226 4421	250	2,000	N	Y	Y	Y	T	Y	N	N
Quotient Capital Management Ltd	071 222 5472	100	1,000	N	Y	Y	Y	T	Y	N	N
Rothschild Asset Management Ltd	071 280 5000	100	5,000	Y	Y	N	N	T	Y	N	Y
Schroder Ventures	071 632 1000	500	25,000	Y	Y	Y	Y	T	Y	N	N
Scottish Development Finance Ltd	041 248 2700	50	1,000	Y	Y	N	Y	T	Y	N	N
Seed Capital Ltd	0481 576989	50	50	Y	N	N	N	T	Y	N	N
Singer & Friedlander Development Capital Ltd	0332 430024	200	1,500	N	Y	Y	Y	T	Y	N	N
South Yorkshire Partners Authority	0228 770770	100	1,000	Y	Y	Y	Y	T	Y	N	N
SUNMIT Equity Ventures Ltd	021 236 1222	250	Open	N	Y	Y	Y	T	Y	N	N
Thompson Chee & Partners Ltd	071 481 4809	250	5,000	P	Y	Y	Y	T	Y	N	N
Thredboe Investment Managers Ltd	071 821 9100	1,000	Open	N	Y	Y	Y	T	Y	N	N
Unitec Limited	0806 882313	n/d	n/d	N	N	N	N	T	Y	N	N
Op Technology Ltd	071 242 8800	750	750	N	N	N	N	T	Y	N	N
Transatlantic Capital Ltd	071 224 1193	30	500	N	Y	Y	Y	T	Y	N	N
Unifon Capital Ltd	071 222 6151	500	Open	N	Y	Y	Y	T	Y	N	N
Water Development Capital Ltd	0232 248765	50	800	N	Y	Y	Y	T	Y	N	N
Venture Founders Ltd	01865 370510	100	600	N	P	N	P	T	Y	N	N
Welsh Development Agency	0222 222698	5	800	Y	Y	P	Y	T	Y	N	Y
West Midlands Enterprise Board Ltd	021 236 6835	500	750	P	Y	P	Y	T	Y	N	Y
Woolwich Enterprise Limited	0532 374774	5	500	Y	Y	Y	Y	T	Y	Y	Y
Woolwich Venture Capital Ltd	0742 722272	200	Open	N	Y	Y	Y	T	Y	Y	Y

VENTURE AND DEVELOPMENT CAPITAL 7

FRANCE: the second biggest venture capital base in Europe, after the UK

Key structural changes ahead

The French venture capital industry is emerging in relatively buoyant shape from one of the country's most acute recessions since the Second World War, reports JOHN RIDING in Paris

The total value of venture capital raised last year amounted to FF5.54bn, a drop of just six per cent on 1992. Venture capital investments slipped by 10 per cent to FF5.6bn, while exits - or divestments of venture capital investments - rose sharply, from FF2.25bn to FF3.63bn.

For Mr Denis Mortier, chairman of the French venture capital association, this was a solid performance - "on the whole, and given the broader economic environment, I think the industry did better than expected," he says.

Despite the resilience of 1993, however, the French venture capital industry has been experiencing significant changes and is confronted by important structural challenges.

Developments over the next few years, notably in mechanisms for exits and the evolution of fund raising, will determine whether France can consolidate its position as the second biggest venture capital base in Europe, after the UK.

The principal shifts in the industry relate partly to the broader economic picture. Start-up investments, notably in high-technology activities, were affected by the economic environment - "seed investments accounted for only one-tenth of one per cent and start-up investments for less than two per cent of the total amount invested," say the accountants KPMG, in a report on the industry.

Many of the larger players, in particular banks and insurance companies, have also curbed their venture capital activities as they seek to redress their financial positions.

Insurance companies have suffered from losses in their

damage businesses and have shifted the emphasis of their investments to liquid long-term assets such as bonds," says one sector analyst in Paris.

At the same time, many industrial groups are shedding non-core businesses and venture capital investments as they focus on their principal activities. The most recent example is July's decision by Elf Aquitaine, the oil group, to sell FF1.1bn worth of industrial investments, principally venture capital, to Banque Nationale de Paris.

For some players in the venture capital industry, in particular the smaller, independent funds, these various changes have a positive effect. "There has been less competition from the captive structures," says Mr Mortier, referring to banks and insurance companies. "At the same time, the pattern of divestments means that they have become providers of investments."

Competition is, however, unlikely to remain diminished. International venture capital funds, notably from the UK,

are eyeing the French market with a view to increasing their presence - "they are all raising funds for continental Europe," says Mr Mortier. "France is the second biggest market and the natural target to start with."

The domestic industry will be more eagerly awaiting the imposition of structural reforms which could improve the exit mechanisms in the French industry and increase the amount of investment finance available.

On the first count, many in the French industry have pushed for the creation of a "European Nasdaq" - a computerised off-market trading system. They argue that this would resolve the weaknesses of Europe's secondary stock markets, raise liquidity and tempt international investors, particularly from the US.

Mr Mortier believes that the creation of such an exchange is just a question of time. "We have created the awareness of a need and have won support for the idea from the European Commission. We have put together a study group to examine the conditions neces-

sary, and hope to have a blueprint ready by November," he says. "By 1996, we hope to have the market can be launched."

By then, many in the French venture capital industry also hope that private, capitalised, pension funds will be in existence. According to most players in the domestic industry, the relative paucity of venture capital resources in France, compared with the UK, is partly a reflection of the lack of powerful pension funds.

That lack seems unlikely to endure. The French government is moving, albeit cautiously, to the creation of private pension funds to ease the demographic pressures on its creaking pay-as-you-go state retirement scheme.

Mr Edmond Alphandery, the economy minister, is expected to introduce a bill to the national assembly this autumn, and a law, providing tax incentives for private pension contributions, could take effect after next spring's presidential elections.

It is still unclear what the legal restrictions on such pension funds would be, and what proportion could be invested in equities or venture capital. But the impact would be significant. Mr Mortier forecasts that pension funds could provide one-quarter to one-third of external venture capital funds within ten years, compared with the 45 per cent ratio which now exists in the UK.



Lyon's commercial district in the foreground, Banque Populaire de Lyon, towering behind is the state-owned Credit Lyonnais which suffered losses of more than FF6bn last year

Picture by Tony Andrews

GERMANY: opportunity knocks but not every company is answering the call, reports Michael Lindemann

Mittelstand need persuading

When you ask Mr Holger Frommann why the German venture capital market is so small, he winces audibly.

Mr Frommann runs the German Venture Capital Association (BVK) and he says there are countless reasons why the volume of business done in Germany is minimal compared, first, to the size of the German economy and, second, to activity in neighbouring France and the UK.

Venture capital risk is still something many German businessmen shy from. The medium-sized companies that would be ideal candidates for buy-outs or buy-ins are often run by the people who founded them and who are wary of financial buyers. Stock markets function differently and banks are much more prominent - "ultimately, the entire economic development of Germany is different," Mr Frommann says.

The recession has not helped either. A report by the European Venture Capital Association (EVCA) concludes that in 1993 the market ground to a halt because of falling company prices and a declining economy. DM1.21bn was invested in 1993 - 5 per cent less than a year earlier - representing about 40 per cent of what was invested in the UK.

However, a series of big deals this year - including the recent sale of Kässbohrer's Pisten Bully to a group of investors advised by Schroders & Partner Beteiligungsberatung - suggest that while the market may not mushroom there is evidence of relatively strong growth.

The Kässbohrer sale is the sort of deal which venture capitalists promised in in spades when the German market first found its feet around 1988: to help old, family-owned companies succeeding under a mountain of debt and in need of outside capital.

The BVK says there are per-

haps 5,000 companies of this sort and a percentage of them would be ripe for venture capital. But financial buyers are still regarded as wheeler-dealers, whose philosophy is largely anathema to the long-term corporate strategy practised in Germany where emphasis has always been more on organic growth than on acquisitions.

"Owners often still want to know what happens to their business even if they've sold it," says one industry source in Frankfurt, illustrating barriers the venture capital business has to overcome.

Another phenomenon cited to justify the rosy prospects for venture capital in Germany is the question of succession at many Mittelstand, or medium-sized companies, started in the

1950s or '60s by people now looking to hand them on. However, in some instances it is not just a question of finding a new chief executive and outside capital, but more a need to find an entirely new management team.

"In a situation like that the pure financial buyer is challenged," says Mr Martin Stringfellow who works for Kleinwort Benson in Frankfurt. "Whether he comes in depends on how able he is to provide a management team for the company and often that is a problem."

Industry observers say there are interesting prospects in eastern Germany as restructuring continues and it becomes clear which elements of the DDR's former command economy have survived the shock

therapy administered over the past four years.

But Mr Frommann and others admit that business in the five eastern Länder remains largely prospective for a number of reasons.

Risks in the eastern Länder are greater because there are no balance sheets from which to extract reliable figures, while the business environment remains precarious - in part because many companies are only just finding new markets following the collapse of the former Soviet-run Comecon trading bloc. And while the BVK estimates that venture capital companies in western Germany spend on average seven years shepherding their investments, they will have to

commit themselves for longer periods in former eastern Germany.

An under-developed stock exchange is another factor which has stunted the growth of the market. Many US and UK companies which have been helped to find their feet with venture capital, progress naturally to a stock exchange listing, an exit which is still unusual in Germany where stock exchanges deal in heavy-weight shares.

Deutsche Beteiligungsgesellschaft, the venture capital arm of Deutsche Bank and an example of several similar companies which are linked to the country's big banks, recently floated the MHM Mode Holding. But such an outcome is the exception rather than the rule. The vast

majority of investments end in trade sale, buy-back or secondary purchase, according to the EVCA report.

Despite the idiosyncrasies of the German market, venture capital is becoming more respectable in deals involving DM30m or more, a threshold beneath which most international financial buyers do not operate.

Even so, money for start-ups and smaller deals is still hard to come by, especially for smaller businesses which only have access to the regional financial centres in Germany.

To combat this, the economics ministry in the state of Baden-Württemberg, often at the leading edge of innovation in German business practices, is developing a new venture capital fund in conjunction with private industry designed to finance start-ups with up to DM2m. For years the state has been running a successful sub-

sidies programme, similar to those available in Germany's other Länder, but the state-run funds have not been able to cater for all the applicants. "It suggests very clearly to us that people are not prepared to take enough risks," says an official at the Baden-Württemberg economics ministry.

Several of the larger international venture capital companies have been encouraged by the volume of business so far this year. The Kässbohrer deal, the Tarkett buy-out and the restructuring at LVW, the former food co-operative group, all augur well for the future, they argue.

However, few will commit themselves to predictions about the possible future size of the market, and most suggest that it will continue to be small relative to others - "I don't think we will ever have a development in Germany as we have seen in the US or the UK," says Mr Thomas Krenz from Schroders & Partner Beteiligungsberatung in Frankfurt.

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TEN NEW ISSUES FOR YOU TO THINK ABOUT

ALLDERS PLC Management Buy-out May 1989 Stock Exchange Listing November 1993 MARKET CAPITALISATION £174.9 million	ON DEMAND INFORMATION PLC Development Capital June 1992 USM Flotation December 1993 MARKET CAPITALISATION £39.7 million	APPLIED DISTRIBUTION GROUP PLC Management Buy-out February 1989 Stock Exchange Listing March 1994 MARKET CAPITALISATION £40.9 million
HAMLEYS PLC Management Buy-in July 1989 Stock Exchange Listing May 1994 MARKET CAPITALISATION £42.3 million	LONDON CLUBS INTERNATIONAL PLC Management Buy-out May 1989 USM Flotation June 1994 MARKET CAPITALISATION £141.5 million	UPF GROUP PLC Management Buy-out September 1990 Stock Exchange Listing June 1994 MARKET CAPITALISATION £40.9 million
JBA HOLDINGS PLC Development Capital May 1988 Stock Exchange Listing June 1994 MARKET CAPITALISATION £52.8 million	Three more LDC investee companies are planning to float this year. Watch this space...	

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VENTURE AND DEVELOPMENT CAPITAL 8

British business angels have long been assumed to be poor cousins of the richer, more entrepreneurial and better-served American variety, but a new report challenges this assumption.

Patrick Coveney, a PhD student at Oxford collected data from about 500 angels or would-be angels, in a survey conducted with the help of Venture Capital Report, a business angel agency which publishes a monthly report on projects seeking finance. Angels in the sample were all users of or people who had expressed interest in using introduction agencies.

The researchers concluded that British angels did fit the long-standing stereotype - they were overwhelmingly male, middle-aged, university educated and had run their own businesses - their characteristics and investment behaviour differed quite considerably from the image given by earlier research on the subject.

More than half had a net worth of more than £500,000, and 30 per cent were worth

Rich angels to the rescue

more than £1m - but two earlier surveys had found that only a third or fewer had assets of more than £500,000.

Three-quarters of the participants in the new survey had a income of more than £100,000 a year. The average angel had made 2.34 investments totalling £266,000 in the past three years, with an average single investment of £140,000, and a median of £40,000. This compares with the average investment of £10,000 given by an earlier survey.

Previous surveys strongly indicated that location was one of the most important factors in angels' choice of investment - very few were thought willing to invest in companies more than 100 miles away. Coveney's survey, in contrast, found that only 5 per cent of angels cited location as the most vital criterion, while 68 per cent did not think it was very important. Almost half would invest in businesses more than 200 miles away.

The most important factor in angels' decision on whether or not to invest was their impression of the founder or management: 59 per cent said this was the principal criterion. Next most important was their own understanding of the sector, with such areas as the content and presentation of business plans and projected profitability ranking much lower.

Respondents' main motivation for choosing angel-style investment was to get a better return on their money than they could from the stock market - they expected a return of at least 21 per cent a year. About a third were interested in generating a job or an income for themselves, and a third were also motivated by the fun and satisfaction of being an angel.

Investors said that the main barrier to greater activity was a lack of suitable business proposals, rather than a lack of money to invest: 70 per cent of

them would have liked to make more investments if they had found suitable opportunities. A high proportion said they had more than £100,000 of funds still available to invest, and 76 per cent expected to increase their investments over the next five years.

So there may be hundreds of potential angels waiting for the right opportunity to come up, but there are as many businesses interested in dealing with angels? The Enterprise Support Group commissioned a Mori survey of 41 small and medium businesses earlier this year, to coincide with the launch of VentureList, its national computer database of investors and business propositions.

The survey found that only 8 per cent of small and medium sized businesses had seriously considered using angels as a source of finance, even though many were worried about the level of debt in their businesses. However, 40 per cent would consider raising finance from an individual investor if there was an easy way of finding an angel willing to invest on agreed terms.

Bethan Hutton

Confidence in UK regions

The venture capital sector in Britain's regions has a self-confidence bred by its close connections with the areas in which it operates.

There is no substitute, argue those with offices in the country's leading provincial cities, for being part of the business community in which they are seeking investment opportunities.

Unsurprisingly, this view is not supported by firms like Charterhouse Development Capital, which has opted to target Yorkshire, the Midlands and south-west England by setting up dedicated teams based in London, but commuting constantly to the regions - "we're only two hours from London to Leeds by train," says the firm.

In contrast, Barclays Development Capital which in 1987 had only a London office has since opened in Leeds, Manchester, Birmingham and Reading: 70 per cent of its new investments are made by these regional offices.

"In our view, key intermediaries such as accountants have built up significant corporate finance expertise in the regions and by being in the same centres as they are we feel we offer a faster, more responsive service," says Mrs Catherine Wall, the Leeds-based regional director for eastern England from Lincolnshire to the Tweed, plus Cumbria.

In illustration of how regional expertise has developed, she cites last year's MBO of Leyland Trucks, the £150m annual turnover Lancashire truck assembly plant. The deal was advised and funded from Leeds.

"A few years ago, a deal of this size and complexity would have been handled in London," says Mrs Wall.

Some regionally-based venture capitalists feel their *forte* remains deals under £10m, but Mr Charles Richardson, corporate affairs manager of 3i, which has 17 offices outside London, says there has been a continuing trend towards medium sized and larger deals gravitating to regional offices - "over the last five years we've moved a lot of technical expertise into regional offices; the net has widened." Stoy Hayward Manchester now pub-

lishes an annual Guide to Venture and Buy-out Capital in the north west; the 1994 edition is due out imminently.

Mr Ian Templeton, Manchester-based senior partner in charge of corporate finance, has noticed an increase in the number of accountancy firms claiming expertise in venture and development capital "possibly because there is very little growth in the core activities of audit and tax which is forcing them to look elsewhere for business."

Mr Mike Davis, corporate finance partner for Ernst & Young in Manchester, says clients are very interested in what kind of relationship they will have with venture capital investors. This does not necessarily mean choosing a firm with a regional office but it has made London firms anxious to rebut any suggestion they might not be as responsive.

The competition between London and the regions "has heated up a lot," says Mr Davis, who adds that accountants are helping venture capitalists by providing better researched and presented proposals for consideration. But he adds: "We know there's a degree of flexibility, we know they are keen to do deals, we make sure our clients get the best deal."

This wider dissemination of skills in venture capital has contributed to the rather more competitive climate, says Mr Peter Folkman, managing director of North of England Ventures, the Manchester and Middlesbrough based fund which is associated with Schroder Ventures. The industry, he points out, is now maturing.

"It's a whole lot less cosy, it's more like a proper business," he says. "To earn our living we are going to have to be a little bit sharper."

The past year has seen funds winning good returns on earlier investments; NEV, for example, is collecting about £3m from the £350,000 equity stake it made in 1990 in Cumbrian miniature model-maker Lilliput Lane. But, says Mr Folkman, venture capitalists have done fewer new deals than they would have liked. In this more com-

petitive market, he sees a developing trend, in which he is participating, of venture capitalists going out much more proactively to bid as principals for companies.

Competition is likely to be stiffened by the sharp increase recorded by the BVCA in new money raised this year for venture capital investment.

The BVCA says the UK regions accounted in 1993 for 64 per cent of the number of companies receiving venture capital funding. So far this year it has recorded an upturn in England and Wales, whilst the Scottish market is reported to be "relatively flat," although with some signs of improvement.

Some venture capitalists say the number of deals regionally so far this year has been relatively stable, or even increasing. Mr Alistair Conn, managing director of Newcastle-based Northern Venture Managers, says 1994 has been busier than 1993, although mid-1994 dipped a little. In northern England and Scotland, he says, the peaks and the troughs are flatter than in London and the south east.

Mrs Wall at Barclays Development Capital says its investments are running at around double last year's level, and 3i notes its local offices are much busier than they were - "my impression is that the regions have picked up faster than London and the south-east," says Mr Richardson.

Despite this bullish tone, there is some surprise that the presumed uplift from recession has not brought a stronger demand for capital for investment in organic growth rather than acquisitions. Confidence, it seems, is still fragile.

"A lot of companies are contemplating deals, far more are contemplating rather than doing them because people are still being cautious," says Mr Davis of Ernst & Young.

For one new regional venture capital initiative, the Midland Enterprise Funds, 1994 is a milestone; by the year end, all its 11 funds in England and Wales will have begun operating.

Chris Tighe

Venturer of the Year Awards

This year's category winners were as follows:

SMALL START-UP, RESEARCH-BASED:

Edical Holdings
The company was formed in 1985 by Dr. Geoffrey Guy to develop and market advanced drug delivery systems. The company specialises in slow/controlled-release drug delivery systems, including transdermal patches.

The company was listed on Nasdaq at a capitalisation of \$70m in April 1993. For the year to August 1993, the company had revenue of \$9.6m and pre-tax profits of \$970,000.

Entrepreneur: Geoffrey Guy.

Sponsor: 3i

SMALL START-UP:

Coat
The company was formed in June 1986 by a group of former employees of STC, the cables and communications group to develop and manufacture a

range of specialised products to control the transmission and reception of video, audio and data signals through fibre optic cables. Estimated turnover for the year ending June 1994 was £2.878m, with the exports proportion exceeding 30 per cent. Profits before tax are estimated at £280,000.

Entrepreneur: Andrew Smith

Sponsor: Yorkshire Enterprise

LARGE START-UP:

Denplan Care
Founded in 1987 to provide an alternative system to fund the provision of dental healthcare in the UK, Denplan Care offers a direct contract between patient and dentist. The company was sold to Private Patients Plan (PPP) in November 1993 for £42m, by which time it had more than 4,000 dentist members, and a total of 400,000 registered patients. (See report, page one of this survey).

Entrepreneur: Stephen Noar

Sponsor: F&G Ventures

TURNAROUND/MBI:

MacLaren Group
Baby buggy manufacturer

Entrepreneur: David Randall

Sponsor: CINVen

MacLaren had been the subject of various take-overs before eventually being bought by its executive directors in September 1990.

Since then, improvements have been made in the range and quality of products, a new marketing strategy has been adopted and stocks and overheads have been pruned.

From pre-tax losses of nearly \$8m in 1990 the company has returned to profits of more than £2m.

Entrepreneur: Denzil Lee

Sponsor: NatWest Ventures

SMALL MBO:

Azlan Group
The company, a leading value-added distributor to the network computing market selling products from mainstream and specialist vendors through resellers, was a 1991 management buy-out from Logitek. Since then, Azlan has embarked on a programme of expansion in Europe and in its product range.

Entrepreneur: Alan Vickery

Sponsor: Lloyds Development Capital

LARGE MBO:

Litho Supplies
Litho Supplies, the biggest independent distribution and service group for printing and graphic arts products in Britain, servicing a total of 10,000 customers, was a buy-out from Pembroke, purchaser in 1989 of paper group, DRG. Since the buy-out turnover has increased, to a total of \$80.2m in 1993 and profit before tax last year totalled \$4.63m.

Entrepreneur: John Byford

Sponsor: 3i

EXPANSION:

JBA Holdings
The company was founded in 1981 to develop business application packages for IBM mid-range computer systems. Since 1989 it has moved into overseas markets and now has subsidiaries in 11 countries and derives some 53 per cent of group turnover from outside the UK. Profit before tax last year totalled £4.736m on turnover of £74.467m.

Entrepreneur: Alan Vickery

Sponsor: Lloyds Development Capital

Denplan's winning venture

Continued from page 1:
Advent's nominees left the board after a few months because of a disagreement about whether Denplan should offer dental insurance schemes.

Stephen Noar feels strongly that dental insurance schemes are not in the best interests of patients - or their insurance companies - because they are open to abuse and lead to unnecessary treatment.

It is clear that Noar believes strongly in the ethics of his business. He rejects charges of opportunism associated with making money by exploiting the failings of the health service. He recognises, nonetheless, the mixed feelings and torn loyalties experienced by both dentists and patients leaving the health service.

Noar believes that the exodus from the health service would be likely to continue under a Labour government -

"there is now a general perception across political parties that the whole of the population's primary care aspirations cannot be met out of taxation," he says.

The logical corollary of this argument is that, at some stage, the principles behind Denplan could be extended into general practice medicine. The idea appears to intrigue Noar - "there is a debate now about the health service which is less emotive," he says. "It is

not sacrilege, heresy or treason to talk about priorities."

It is not clear what Noar will do when his two-year contract with PPP comes to an end. One ambition is to become involved in backing small companies himself. However, it is evident that his interest in developing Denplan's potential did not evaporate when he sold the company.

"I have no financial reason to work but I have a lot of unfinished business with this company," he says. "Everything we have done to date is to put us in a position to do really important things."

Small Start-up

Venturer of the Year Award Winner

1990

Advent Communications

1993

Tillery Valley Foods

Backed by 3i Group plc

Large Start-up

Venturer of the Year Award Winner

1992

Breger Gibson

1993

Safeline

Backed by 3i Group plc

Expansion

Venturer of the Year Award Winner

1992

Industrial Control Services

Backed by 3i Group plc

Management Buy-in

Venturer of the Year Award Winner

1990

Dunclare Dispensers

1992

Country Casuals

Backed by 3i Group plc

Small Management Buy-out

Venturer of the Year Award Winner

1991

Swallowfield plc

1993

Metrotext Industries

Backed by 3i Group plc

Large Management Buy-out

Venturer of the Year Award Winner

1990

Compass Group

1992

Eurocamp

1993

Holliday Chemical Holdings

Backed by 3i Group plc

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RECRUITMENT

JOBS: Formulas for equitable expatriate employment packages need to address broader issues

Counting the cost of out-of-sight employees

The expatriate employee from the UK can cost a company nearly three and a half times that of his home-based counterpart, according to findings published by the Economist Intelligence Unit.

The EIU, the business intelligence arm of the Economist Group, has launched a new service designed to help human resources management in multinational companies reduce the costs of cross-border staff relocation and pay. The service, which is regularly updated, draws on computer-based systems collating tax and pricing information and living costs in 100 cities worldwide.

The service will place the EIU in competition with other specialist information services covering the expatriate field. These include P-E Centre For Management Research, Organization Resources Counselors, Employment Conditions Abroad and AIR Inc. of Boston in the US.

All these information services have identified a growing need among companies and individual employees to find suitable comparisons and data for creating overseas employment packages.

The multiple of three and a half times UK assignment costs is for employees working in Tokyo, said the EIU. Other multiples it has published include Paris (a multiple of three), New York (2.2) and Frankfurt (2.1).

"Given the increasing globalisation of business, these costs are a

real and growing issue," said John Nichols, the EIU's human resources development manager.

"For example, a London based employee on an annual salary of some £50,000 a year could cost his company up to \$500,000 over a two-year period when relocated to New York, assuming a traditional expatriate package," he said.

What does that typical package look like? The EIU, using an example of a two-year assignment in France, gives the percentage split of costs as: 31 per cent employee's tax and social security, 23 per cent employer's social security, 28 per cent expatriate benefits, 17 per cent net to the employee, 3 per cent in other benefits, and 4 per cent in one-off assignment costs.

Nichols says that, traditionally, companies have been prepared to "build up" pay for an assignment using the premise that the employee should be no worse off than had they stayed at home. The use of incentives to move and the addition of housing allowances, plus the rents employees can often get to cover their UK mortgage payments, means that the expatriates

are often considerably better off. Today, however, companies are becoming more cost conscious on expatriate deals.

"These days they are requiring that the cost of living measurements truly reflect the high cost of living and not the cost of high living," said Nichols.

Before human resource managers nod too vigorously in agreement, they should note that employees with families in particular, are sometimes in danger of losing out financially if they go abroad.

Organization Resources Counselors found that three-quarters of the 519 European, North American and Japanese multinational companies that replied to a survey of human resource practices said they had no policy that accounted for the loss of spousal incomes when paying expatriate employees, nor did they intend to develop one.

On average, 15 per cent of companies said they were considering a policy and 10 per cent already had one. Breaking the survey down further, the greatest enthusiasm for such policies appeared to be in the UK, said ORC.

Geoffrey Latta, vice-president of

ORC's compensation services said: "Companies recognise that this is a growing problem and are very concerned about the potential costs of replacing lost income."

"If an expatriate's spouse is a lawyer or an investment banker, does the company want to compensate for lost earnings? Doing so would make an already costly process exorbitantly expensive. Professional couples may increasingly opt out of international assignments, or we may begin to see more long-distance commuter relationships."

Rent-a-boss

Evidence that the market for temporary executives and the pool of available experience is continuing to grow has emerged in a survey of 2,000 temporary executives registered with Executives on Assignment, a Slough-based company. Of the 1,500 who responded, nearly half of them had worked at director level in their last permanent job. Some 12 per cent of the respondents were former chief executives.

Executives on Assignment estimates the market has grown by 20

per cent in the last year, although Boh Snell, managing director, admitted this was a guess based on increased activity reported in his and other companies.

There is also evidence that companies are beginning to use interim management more imaginatively. Richard McKeown, a company secretary featured in this column a few months back, has so far successfully planned his career in interim management with no intention of taking full-time work.

His latest posting appears to reflect a new trend among users of interim managers. Instead of filling a gap between appointments which has been the normal type of short-term post, he has been taken on to allow the full-time company secretary time out to take part in a specific project. Snell said that another trend among some chief executives was to use interim managers as a means of employing a senior manager without taking the risk of appointing the wrong person and the attendant cost of removal.

Martin Wood, director of interim management at PA Consulting, a London-based consultancy, has

found that companies are beginning to use interim management as a strategic tool. He quoted a large company in the food retailing sector which was taking on an interim manager to run a division which needed a rationalisation programme. When he leaves, the new full-time appointment will be a much less important and therefore lower paid job. "The interim manager will be more objective about what needs to be done," said Wood.

He adds that small private companies with turnovers of between £5m and £10m are also starting to use interim managers where there is a management succession problem or where an experienced manager has left to set up in competition.

Earn as you learn

What sounds like the closest any employer has yet come to utilising a degree course for an immediate gain has been developed by Coca-Cola Schweppes Beverages (CCSB), the joint venture bottling company.

The company has recruited 100 university aspirants aged between 18 and 22 as soft drinks merchandisers.

At the same time they will be carrying out a four-year study course for a BSc degree in Management from London University.

Students in the "earn as you learn" scheme have been recruited on a starting salary of £7,500 a year plus a company car. While all needed to fulfil the A-level criteria for the university course, they were selected in a company assessment programme from 5,000 applicants.

The students will be working in 12 merchandising teams across the UK. Keith Dennis, CCSB's personnel director who designed the programme at the instigation of Derek Williams, CCSB managing director, says the company plans to recruit a further 50 students next year.

All are on four-year contracts and their job specifications entail a weekly input of about 35 hours on the job plus about 20 hours in study time for the degree. They will study from home, under a distance learning arrangement administered by the National Extension College.

Dennis said: "Beyond the four years I clearly hope that a number of them will continue with the company. At the end of that time, they should have a degree from a good university and four years experience with a blue chip organisation under their belt and no negative equity."

Richard Donkin

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The bank's entrepreneurial culture dictates that as part of a first rate team, you will enjoy greater client exposure and autonomy than you are likely to have in a more rigid and structured corporate finance environment. You will play a key role in the execution of a variety of innovative high quality transactions.

The successful candidate will be a corporate finance professional who can demonstrate a minimum of four years relevant experience and you will probably be working for a leading Merchant Bank or Stockbroker. Experience of advising fast growing companies would be an advantage. You will have developed exceptional technical ability coupled to first rate interpersonal skills in an environment requiring an eye for detail and strong

commercial qualities and will relish the opportunity to work in a progressive group offering long term career prospects. A competitive salary including a bonus and the opportunity for equity participation will be made available to the right individual.

Interested candidates should contact John Axworthy or Michael Herst quoting reference CF037 on 071-629 4463 day, 071-720 0613 evenings or send a full cv to Harrison Willis, 39-40 Albemarle Street, London W1X 3FD. Fax: 071-491 4705.

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LUTTERIDGE • BOSTON • BIRMINGHAMJAPANESE & FAR
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Hong Kong

£ Substantial Package



Amstel Securities is a highly successful International Securities Firm with offices in five major financial centres. Specialising in the Japanese and other Asian Securities markets, Amstel's success is based on a client orientated sales philosophy and a high degree of professionalism.

Following the successful opening of its offices in Hong Kong and Zurich, Amstel now seeks to recruit a number of key individuals who will contribute to the further implementation of the next phase of Amstel's continuing growth strategy.

The successful candidate will have a minimum of two years relevant experience, probably gained within an international securities house. They will have sold a full range of products to investors in Europe or Asia. They will also be highly motivated and thrive on a high level of individual responsibility and independence.

We are also interested in talking to experienced sales people and fund managers who may prefer to work on an associate or affiliate basis, making use of the company's facilities.

Amstel offers a dynamic environment where career advancement depends on the individual's drive and determination to succeed. The compensation package is performance orientated and reflects Amstel's ambition to attract people of the highest quality.

If you feel you meet the exacting standards required, please contact Jonathan Cohen on 071-629 4463 or send your CV to Cardinal House, 39-40 Albemarle Street, London W1X 3FD. (Fax 071-629 3954).

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Heads of Finance and Operations

S. America E. Europe Far East

International
Banking

Our client is a double A rated European Banking group with a highly regarded and expanding international network for corporate, investment and private banking. Their growing presence in the world's fastest-developing regions reflects their strength as a world leader in emerging markets banking and trade finance.

It now requires a number of individuals to head the finance and operations functions in some of the major growth areas; responsibilities will encompass finance, legal, operations, systems and general administration.

The successful applicants will be able to demonstrate:

- extensive knowledge of corporate banking accounting and operations with overseas experience and thorough understanding of related systems,
- a strong record of management, the ability to train and delegate to local staff; foreign language skills would be an advantage.

This experience will have been gained in a major international financial institution and would suit an individual who enjoys the independence of an overseas position.

Competitive packages including relocation expenses are offered for these exceptional career opportunities.

Rochester Partnership Ltd, Executive Search and Selection, 31-45 Gresham Street, London EC2V 7DN. Tel: 0171 600 0101 Fax: 0171 796 4255.

Rochester
Partnership Ltd

BOND SPECIALIST

£ NEGOTIABLE

LONDON W1

We are a small, successful Fund Management Company specialising in fixed income products. A challenging new position has evolved for a Bond Specialist. The person we seek will be proactive and ambitious, have considerable experience in Fund Management, together with a track record in trading and investing in fixed income products including Euro Bonds, Government Bonds, Derivative Securities, Forex etc.

In return for inspired commitment to this position we are offering a competitive salary and attractive performance related bonus. In addition, the successful candidate will have the opportunity to expand his role in line with company growth to a senior management position.

Please apply in strictest confidence to Box A2156, Financial Times, One Southwark Bridge, London SE1 9HL before 1st October, 1994 enclosing full C.V. and indicating your salary requirements.

UK EQUITIES SALES

A London based private client securities firm is offering a limited number of trainee positions on its equities sales team.

Successful applicants will undergo an intensive training course before sitting in November for the first part of the Investment Advice Certificate of the Securities Institute. Individuals who pass the examination will be considered for positions on the equities sales team and will then be required to pass parts 2 & 3 of the IAC within six months.

To apply, please write with full education and career details to:

Robert Speirs

Director

Danesfield Securities 1st Floor
44 Worship Street London EC2A 2EA

McKinsey & Company

What next?

You're an outstanding newly-qualified ACA with a leading accountancy firm or blue-chip business; whatever you choose to do now, you'll do very well. You are already performing at the top of your peer group and you could continue to climb the ladder in your current organisation. But, is this really what you want?

The challenge

At this decisive stage of your career, we'd like to suggest a change of direction. Become a consultant with McKinsey. It's not an easy option. It will challenge your intellect, broaden your experience and bring you up against the major issues facing modern business. At a time when many accountants may feel that their learning curves are flattening out, yours will become noticeably steeper; even for the most talented individuals, consultancy at McKinsey involves a continuous process of personal development. This is part of its appeal.

The McKinsey approach

We serve the world's biggest and most successful businesses, confronting the major challenges facing top management and helping companies to make substantial and lasting improvements in their performance. They are already doing things very well; they are working with us because they want to do even better in the future. Achieving positive impact involves a creative partnership in which the client and consultancy teams work together to extend the boundaries of management thinking.

The rewards

Outstanding ACAs thrive in our environment. In London, many chartered accountants have been elected to our partnership in recent years. In the long term, you could rise to the top within McKinsey or move into industry as a versatile and accomplished general manager; either way, we guarantee that experience with us will accelerate your development. Compensation is pitched to attract and retain the truly

exceptional. For the right people, it all adds up to a very rewarding and exciting proposition.

The hurdle

So who are the right people? We're looking for creative individuals with a consistently excellent academic record, including at least a 2.1 honours degree and first-time passes as an ACA. Team skills and leadership potential are equally important. You will need to convince us that you have the problem-solving ability, business acumen and flair for communication necessary to influence top managers in commerce and industry.

To apply, please send your full cv (including degree and A-level grades, and details of present remuneration) to Ms Liz Cook, Recruitment Administrator, McKinsey & Company, No.1 Jermyn Street, London SW1Y 4UH. Please quote ref: CA172194 on both letter and envelope. Closing date: Friday 14th October 1994.

Investment Manager
Trade Loans

Carlsberg-Tetley Brewing Limited is one of the UK's largest brewing and wholesaling businesses with turnover in excess of £1 billion, and probably the best portfolio of national and regional brands in the industry, including Carlsberg Pilsner, Tetley Bitter, Castlemaine XXXX and Skol. To support its wholesale operations and develop mutually profitable business, the company offers commercial loans to its trade customers.

Financial and management control over the performance of these loan investments is critical. This extends from setting and maintaining standards for the appraisal of loan proposals, through the continuous monitoring of loan investment performance, to reporting results to senior company management. These tasks are the responsibility of an Investment Centre based at corporate HQ, on the Birmingham Business Park, where a replacement is now needed for the Centre Manager. The Manager has a team of three Analysts at Head Office, and five Investment Managers based at regional trading locations.

Applicants will preferably be qualified bankers, with experience of evaluating and managing commercial loans, gained in either the commercial or financial services sectors. With at least five years' post-qualifying experience, you will be a competent senior manager with well-developed systems, communications and man-management skills. As a key member of the small central finance team reporting to the Finance Director, your influence at Board level will have a major impact on the company's overall performance.

If you can meet all these requirements I should like to hear from you. Please send a full CV with details of your salary and quoting reference MD3914, to Alan Birch at Macmillan Davies, Salisbury House, Bluecoats, Hertford, Herts SG14 1PU. Telephone (0992) 552552.

Birmingham

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APPOINTMENTS
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Sixteen years experience in trading and sales. Graduate, speaks English, French and Arabic. Currently based in London, but will consider opportunities abroad. Please contact Box A2161, Financial Times, One Southwark Bridge, London SE1 9HL.

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UK Equity Manager

London

£ negotiable

Over the last two years our pension fund management business has grown substantially and the segregated clients funds now exceed £2bn. New business activity in this area shows the need to expand our team by the addition of another Fund Manager.

You will join the UK Equity team, providing input on sectors and stock selection as well as managing existing portfolios. Good communication skills are necessary not only for Trustee meetings but for potential client presentations which you can expect to undertake in the future, after suitable training. We are looking for a graduate with extensive knowledge of the UK Equity market gained

either as an Investment Analyst or a Portfolio Manager. Associate membership of the IIMR (or equivalent) is essential although direct experience of segregated fund management is not.

We offer a professional, constructive work environment and encourage personal initiative. Our salary structure is competitive with an excellent bonus scheme and the usual fringe benefits.

Please reply in the first instance to our Consultant for this position - Keith Fisher at Overton Shirley & Barry Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 071-248 0355. Fax: 071-489 1102.

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INTERNATIONAL SEARCH AND SELECTION

SENIOR MARKETING ASSOCIATE
- EUROPEAN INVESTMENTS

City of London Investment Banking Benefits

HSBC Asset Management is the worldwide investment advisory and money management business of the HSBC Group, one of the world's largest banking and financial services organisations. With global funds under management exceeding US\$30 billion, we offer a full spectrum of investment products for institutional and retail clients and are committed to providing excellent investment performance, client servicing and product innovation.

A key element of that commitment is the support provided by Marketing Services to both the fund management and the Client Investment Services (CIS) functions. This is where you come in, as Senior Marketing Associate, European Investments.

Your responsibilities are; to liaise with fund managers and the CIS team, to clearly articulate the regional investment process for marketing purposes, and to provide quality investment information to your marketing services team members and CIS managers. Your objective will be to differentiate HSBC from the competition by highlighting

our client and consultancy led approach, positioning Marketing Services alongside CIS, and developing an effective, common format for presentations.

It is a brief that demands a persuasive personality and a great deal of credibility earned within the investment marketplace. You will ideally have proven technical skills, gained in a fund management, actuarial consultancy or investment banking environment. A graduate with a logical, strategic approach, you will be an accomplished communicator and a highly motivated team player.

The shifting focus of our marketing activities makes this a particularly high profile role at an exciting time in our corporate development. As such, the career prospects for the right individual will be excellent. Beyond that, we can offer an attractive salary together with a generous benefits package including performance related bonus.

Please send your CV and photograph, quoting current remuneration to, Nigel Urwin, HSBC Asset Management Limited, 6 Bevis Marks, London EC3A 7QP.

HSBC Asset Management Limited
Member HSBC Group

Business Consultant

within a pre-eminent International Bank

City

Our client is a leading UK based Financial Institution with an ever-increasing global focus; its reputation is built on solid, historic success coupled with forward-looking creativity.

As a result of an internal promotion - a regular feature of the Department - we are looking for a business consultant to join a small, closely-knit team which provides support to the business users by systems review (both technical and commercial).

Ideal candidates, likely to be in their early thirties, will have a minimum of five years' consultancy experience and be Chartered Accountants with financial services exposure. Demonstrable project management skills are essential, ideally within a large-scale multi-currency environment. Futures and Options process knowledge is desirable. Degree level intellect and full computer literacy are taken as read and communication skills, oral and written, are of paramount importance. Enthusiasm, creativity and flexibility reflect the ethos of the team.

This is a first class opportunity to succeed in an environment where individual talents are recognised and rewarded.

The salary and benefits package has been designed to attract the best.

Please send full career details, including current salary, quoting reference A2170 to Malcolm Lawson, at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.

CJH

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CRÉDIT AGRICOLE

FINANCIAL CONTROLLER

FUTURES/FOREIGN EXCHANGE

£40-£45k package

CRÉDIT AGRICOLE FUTURES seeks to appoint a qualified accountant to head up their accounts function in the UK. The ideal candidate will have at least three years accounting experience, in a management capacity, within a futures and foreign exchange trading environment.

The position demands a hands-on approach and a primary task will be to integrate existing systems and establish a structure for the production of accurate and complete financial information, in a timely manner.

In addition to the usual statutory and management accounting responsibilities, specific knowledge of FX revaluations, proprietary futures trading and daily commission/floor brokerage is essential.

To discuss this unique opportunity telephone Nick Lacy-Hulbert or send your CV for his attention to:

Williams Wingfield Ltd, Search & Selection Specialists
Astral House, 125-129 Middlessex Street, London E1 7JF
Tel: 071-623 9493 Fax: 071-626 1263

Williams
Wingfield

Private Client Investment Manager

Scottish Legal Firm

Negotiable Package

Edinburgh

Tremendous opportunity for experienced fund manager to establish investment management department for one of Scotland's leading law firms.

THE COMPANY

- ◆ Highly respected, progressive firm of Scottish solicitors with an extensive range of clients.
- ◆ Firm controls substantial investments on behalf of private clients and Trusts.
- ◆ Dedicated to establishing and providing comprehensive range of in-house investment management services for its clients.

THE POSITION

- ◆ Set up and run firm's investment department with responsibility for front and back office and development of systems.
- ◆ Manage client investment portfolios on an advisory and discretionary basis. Formulate investment policy.

- ◆ Develop marketing strategy for profitable growth of business.

QUALIFICATIONS

- ◆ Graduate, calibre. Investment management background, preferably with private client experience.
- ◆ Status and presence to win confidence of Partners and clients and succeed within demanding professional environment.
- ◆ Articulate, numerate team player with strong communication skills. Computer literate. Ideally IIMR or MSI qualified.

Please send full cv, stating salary, ref CN3785, to NBS, 42 Frederick Street, Edinburgh EH2 1EX



EDINBURGH 031 220 2400
Aberdeen 0224 638280 • Birmingham 021 233 4696
Bristol 0272 291142 • Glasgow 041 204 4334
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Pension Fund Marketing

Excellent Package

Edinburgh

Key marketing role within major Scottish investment house. Outstanding opportunity for ambitious investment professional.

THE COMPANY

- ◆ Renowned Scottish investment management group, dedicated to providing highest quality of service.
- ◆ Significant funds under management on behalf of wide range of institutional and private clients.
- ◆ Market leader in pension fund management with strong performance track record.

THE POSITION

- ◆ Focus on servicing existing clients and developing new business throughout the UK.
- ◆ Present company's investment philosophy, attitudes towards global economy and fund performance.

- ◆ Build strong relationships with consultants and clients. Contribute to marketing strategy.

QUALIFICATIONS

- ◆ Graduate calibre with investment management experience. Knowledge of pension fund market place preferred.
- ◆ Excellent team player, self-motivated, ambitious, with strong presentation and interpersonal skills.
- ◆ IMRO threshold competence essential.

Please send full cv, stating salary, ref CN3891, to NBS, 42 Frederick Street, Edinburgh EH2 1EX



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MAJOR NEW LIFE COMPANY

PLANNING AND INFORMATION MANAGER - LONDON BASED

Excellent Remuneration package, including relocation assistance where required.

National Australia Bank is one of the largest and most successful Banking Groups in the world, with a clearly defined and focused strategy for growth. We are one of the foremost foreign Banking Groups in the UK and the Republic of Ireland, whose subsidiaries include the Clydesdale, Yorkshire, Northern and National Irish Banks. Our combined distribution numbers over 700 outlets in the UK and Ireland.

Ideally positioned as a value-added producer of quality financial services, we now wish to expand our insurance activities with the creation of a new Life Company. As the first stage in developing this exciting new venture, we are seeking to recruit a high energy, self-motivated and experienced Planning professional.

Initially, your key responsibility will be to assist in the assessment of the planning and management information needs of a greenfield Life Insurance and Unit Trust operation within Banking Group. You will design the necessary systems in order to access the required information and produce comprehensive and consistent reports, not only for various areas of the Group, but also to meet statutory and regulatory requirements.

The Group places great emphasis on both strategic and rolling operational plans and you will be responsible for the ongoing provision of these in respect of the Life and Unit Trust Operations.

Used to working within tight deadlines, it is likely that you will be either a qualified accountant or an MBA with experience of management reporting and planning, possibly gained in either a life insurance and/or banking environment. Previous exposure to planning and reporting systems is essential as are good interpersonal skills.



If you believe you meet our requirements and are excited by the challenges that this venture offers, please send your CV, in confidence to Human Resources Manager, National Australia Bank, 6-8 Tokenhouse Yard, London EC2R 7AJ.

Investment Manager

A Key Strategic Role

Staffordshire

c.£55k + exec bens

- ◆ Our client, an independent financial services organisation operating in a niche market, has enjoyed consistent growth and success in recent years and currently manages over £600m worth of investment.

- ◆ With further significant growth anticipated and in line with key elements of overall business strategy, the need has been identified to appoint an ambitious Investment Manager who, reporting to the Chief Executive, will play a major role in: investment strategy and decision making, product development, staff management/development and be a proactive, forward thinking member of the Senior Management Team.

- ◆ The appointee will have held real responsibility for managing significant investment funds and possess a background which reflects the capacity to manage and develop a very able team and to maximise the contribution of external Fund Managers and advisers.

- ◆ To perform the role effectively the successful candidate must be able to draw upon highly developed interpersonal, representing and negotiating skills with a strong focus on maturity, shrewdness and flair. For a well balanced, committed team player, this role affords genuine scope for considerable personal and career development.

- ◆ The remuneration package includes: allowance for or provision of a company car, private health arrangements, contributory pension scheme and, where appropriate, relocation assistance.

- ◆ If you are excited by this challenging career opportunity please send full personal and career details, in confidence, giving current remuneration information and quoting reference FR/45/B to Paul Bailey, Ernst & Young Corporate Resources, Lowry House, 17 Marble Street, Manchester M2 3AH.

ERNST & YOUNG

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MANAGER / EXECUTIVE

Very attractive package and excellent career development prospects

The Client, a European Bank, is one of the most prestigious and profitable Investment Banks in the world. Significant high profile success in winning major International M&A mandates together with increasing levels of activity has demonstrated the Bank's commitment to developing and building on this achievement. To facilitate this continued growth the client has identified the need to recruit additional members of the London team at both Manager and Executive level.

The roles, working within a dedicated and sector focused environment, will concentrate on all aspects of deal organisation and execution within the Bank's International network together with a significant input to the overall running of the division. The high profile that this division enjoys within the Bank offers excellent career opportunities to those able to demonstrate a committed and resourceful approach.

Candidates will possess a financially related degree together with either two to four years Corporate Finance transaction experience or recent ACA qualification from a "Big Six" firm which may have incorporated some Corporate Finance exposure. Preferably fluent in French, you will be computer literate with the ability to demonstrate initiative, business origination and marketing skills. A team player, you will also possess excellent interpersonal skills in addition to a high degree of strategic business acumen.

For further information in complete confidence please contact Julian Davey or David Goodrich.

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EC2M 7JH.

JOSLIN ROWE

banking recruitment consultants

Compliance Officer

£50,000

Blue Chip US Bank wishes to recruit an experienced Compliance Officer from an International Bank, or a Qualified Accountant who has an in-depth knowledge of SPA and/or BMD rules and regulations. This demanding role involves overseeing the European Trading and Operations compliance procedures, implementation of any new rulings and systems development.

Senior Credit Analyst

£35,000

A Credit Analyst with at least four years' UK and European Corporate, Banks and Insurance companies knowledge is sought by a leading International Bank. The role will involve analysis of new business and products and the constant review of the existing portfolio of assets. Applicants should be graduate calibre with a sound knowledge of ODS products.

Regulatory Control

Up to £40,000

Leading Regulatory Authority seeks to recruit an individual with extensive knowledge of client money and safe custody regulations. Duties for this demanding and high profile role will include reviewing and developing policy for new and existing securities and derivatives markets, training and interpretation of existing rules and marketing of procedures.

Senior Performance Analyst

£30-35,000

Leading UK Investment House is seeking to recruit a Senior Analyst for the Performance Measurement group. Candidates must have strong statistical and analytical skills gained from either a retail or institutional investment management environment. As well as carrying out analysis the role will also involve introducing new systems and developing the team.

Joslin Rowe Associates Ltd Bell Court House 11 Blenheim Street London EC2M 7AY
Telephone 071 638 5286 Facsimile 071 382 9417
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Investment Management

UNIT TRUST SALES

Edinburgh

An exceptional opportunity has arisen for an outstanding investment sales specialist to join Stewart Ivory's marketing team. With assets approaching £2 billion Stewart Ivory is one of Scotland's leading independent investment houses, managing investment and unit trusts, pension, charitable and private client funds.

Your brief will be to promote the company's range of specialist investment products. In particular you will increase our business with stockbrokers, IFAs, solicitors and accountants.

You should have self-confidence, enthusiasm and a determination to succeed. A professional qualification would be advantageous. This is a new appointment and it will be essential for you to have the flexibility to work well within a close knit team.

Initially reporting to the marketing director, you will have longer term potential for promotion to the board of Stewart Ivory Unit Trust Managers Ltd. The remuneration package will include a highly competitive basic salary, profit sharing and other benefits. Please apply in writing with full CV to D. J. Hume, Director, Stewart Ivory & Co Ltd, 45 Charlotte Square, Edinburgh EH2 4HW.



STEWART IVORY

Financial Accounting Manager

COMPLEX TREASURY

Banking Base negotiable c.£35k + benefits

THE CLIENT - a leading UK Investment Bank - London based

Different to most banks in terms of its profitable growth and the challenges it continually presents to its growing team of professionals.

THE PERSON - an ambitious, technically able problem solver

You will need at least five years' professional experience and be able to combine:

- 1) Business acumen in growing for a major investment portfolio
- 2) Management skills to deliver your team, and
- 3) Front office product marketing capability

THE OFFER - a good salary - as the next step in a career

With a clear career progression of three stages:

- 1) Specialist, then team leader, then manager
- 2) Highly motivated to work and a very promising future

Please telephone Peter Williamson for further information or write to him at the address opposite, quoting reference number 639FT.



Prospects with ABB in Russia

Asea Brown Boveri Ltd is one of the world's largest electrical engineering groups. Russia plays a major role within the Group strategy to grow in Central and Eastern Europe. Our Russian Group counts more than 2,000 employees. As part of the Management Development we offer to Russian citizens a

Management Trainee Program

In order to complete our management teams in various companies in Russia we are recruiting highly qualified

Russian Engineers and Economists

with a Western Master Degree above average or a post-graduate diploma at a Western University or a Management School. Candidates, not older than 30-32 years, shall have a strong personality and be well suited for Management functions.

The Trainee Program is designed with a total length of 18 months. It starts with an introduction stage of two months in an ABB company in Russia and is followed by three stages of five months. Every stage is spent in an ABB company in Western Europe and covers a different duty, such as Engineering, Marketing and Sales, Production, Finance, Accounting and Controlling or a specific topic. The Trainee Program will be finalized with a stage of one month, again in Russia, and shall prepare the candidate for an executive assignment.

If you are interested to participate in this unique project, please forward your written application with photograph to:

ABB Asea Brown Boveri Ltd
Mr. Ramon Fretz
P O Box 3181
CH - 8050 Zurich/Switzerland



Assistant Trader

Central London

This major international commodity trading business, part of a major investment bank and whilst primarily involved in the energy markets has a significant role in the trading of precious and non-ferrous metals, soft, agricultural and other commodities in all areas of the world.

The Precious Metals department intends to expand its market making operations and requires an Assistant Trader to join the trading team. The candidate will have gained at least 6 months experience of trading preferably in a precious metals trading environment or alternatively in a money trading environment.

Initially, the successful candidate will be responsible for the joint management of certain trading books. Candidates will be expected to have the ability and determination to enable them to take on the responsibility of managing major trading positions within a short period of time.

The environment is extremely fast moving and the successful candidate must be able to work using their own initiative and must possess a high degree of self motivation. The candidate must be computer literate and must have good communication skills.

Please write to Box A2157, Financial Times, One Southwark Bridge, London SE1 9HL

Moneybroker

Forward Australian Dollars

Our client, a world-leader in moneybroking, wishes to recruit a broker experienced in Forward Australian Dollars.

You should have at least four years' experience in the Forward Australian Market and preferably, knowledge of deposits and FRA's.

Please apply in writing with full details of career to date, to Media System, Garden House, Cloisters Business Centre, 8 Battersea Park Road, London SW8 4BG, and quoting ref: 11377/FT on the envelope. Your application will be forwarded directly to our client, unless marked "security check" and noting separately any companies to which it should not be sent.

CAPITAL MARKETS AND STRUCTURED FINANCE LAWYERS



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Lovell White Durrant has a long established and thriving capital markets and structured finance practice. We advise on a wide range of capital markets transactions, including Eurobond issues, international equity offerings, commercial paper and MTN programmes, securitisations, swaps and other derivatives.

As a result of our continuing growth, we are keen to recruit energetic and able solicitors with up to four years' experience in this field. Amongst the qualities which we seek are enthusiasm, a constructive and innovative approach to the work and a thorough understanding of our clients' requirements.

Remuneration and prospects will be commensurate with the high quality of lawyers we wish to attract.

For further information, please write enclosing a C.V. to Mrs Anita Towell, Head of Personnel, Lovell White Durrant, 65 Holborn Viaduct, London EC1A 2DY.

The Top Opportunities Section

Advertise your senior management positions to Europe's business readership. For information please contact:

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CCLA, a Member of IMRO, provides investment services to funds of £2 billion from its City Office. It is seeking a:-

European Fund Manager

to be responsible for about £80 million of European equities.

You will probably be a graduate with at least 3 years' experience in investment management or analysis and you must have a sound knowledge of European securities. You will be given considerable freedom of action over the European asset allocation and stock selection and will also participate in the formulation of overall investment strategy.

Competitive salary with non-contributory pension/health insurance benefits.

Apply in writing with full CV to:
Mrs. J. A. Robe, The Personnel Officer,
CCLA Investment Management Limited,
St. Alphage House, 2 Fore Street,
LONDON EC2Y 5AQ.

SENIOR FIXED INCOME OPERATIONS

Salary Competitive
+ Substantial Bonus and Benefits

We have been retained by a leading Global Investment Banking and Securities Institution which operates a comprehensive financial advisory and capital raising service. As part of its continued global expansion, we are seeking two outstanding Fixed Income professionals to enhance this highly sophisticated area which services Eurobonds, Domestic/ Government issues, MTN's, Emerging Markets, Structured Transactions, International Repos, Asset-Backed products and their associated derivatives. Both roles offer the opportunity to work in an exciting and diverse environment that demands both thorough knowledge of the products, coupled with a hands-on management approach.

FIXED INCOME TRADE SUPPORT

A superb opportunity exists for a high calibre individual to lead a substantial trade support function. Key responsibilities include:

- Structure, organise and manage the ongoing development of the Fixed Income Product group.
- Ensure controls are introduced/ maintained in all process areas.
- Provide a high degree of client and branch office liaison and develop a close working relationship with all levels of trading and sales staff.
- Manage the design and implementation of new systems initiatives.
- Recruit and develop staff.

FIXED INCOME SETTLEMENTS

This high calibre individual's responsibilities will include:

- Manage and motivate a varied team of 20 staff.
- Develop and implement a plan for the Domestic and Government Bond settlements groups to allow for greater volumes, diversity and complexity leading towards major growth within new and Emerging Markets.
- Apply your Euroclear, Cedel, CGO, SWIFT and general market knowledge to enhance current procedures within the Fixed Income settlements group.
- Manage the design and implementation of new systems initiatives.

If you have the drive, enthusiasm, ambition and commitment for either of these challenging opportunities, please send a detailed CV to Colin Jones at Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 3FD (fax 071-491 4705) or telephone 071-629 4463.

HARRISON WILLIS

SUN LIFE INVESTMENT MANAGEMENT, the fund management arm of the Sun Life Group, is currently looking for two highly motivated individuals to strengthen its investment teams.

CONTINENTAL EUROPEAN EQUITY ANALYST

Working within a small team, your key role will be to provide clear and concise recommendations to Fund Managers on specific European sectors and stocks. Applicants will have at least 18 months' European sector experience, coupled with the analytical and presentation skills required to produce consistently high quality investment recommendations within tight deadlines.

EMERGING MARKETS ANALYST

This is a newly created and challenging post within a rapidly expanding area of our investment business. Working closely with the Fund Manager, your key role will be to identify, analyse and provide reports on new emerging markets from a macro economic viewpoint. You will have at least one year's experience in Emerging Markets, preferably Asia and the Far East and be prepared to undertake some overseas travel.

For both positions you will be educated to a degree level, ideally with IIMR qualifications. Relevant experience in a fund management or stockbroking environment is essential. Successful applicants will need to demonstrate a strong analytical and problem solving approach, coupled with the communication and interpersonal skills necessary to make an immediate contribution to our investment performance.

Salary in the range £23,000 - £35,000 p.a. plus an attractive range of financial sector benefits. If you are interested please send your CV to:

Harriet Catling (Personnel Officer),
Sun Life Assurance Society,
107 Cheapside,
LONDON EC2V 6DU.



Sun Life offers equal opportunities in employment and welcomes applications from suitably qualified people regardless of sex, marital status, ethnic origin or disability.

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LONDON SE1 8HL

ITEM CLUB

The ITEM Club is a prominent independent economic forecasting group and the only one to use the Treasury Model of the UK economy. ITEM produces macro-economic forecasts and provides important analysis of the key risks facing the UK and other industrialised economies for member companies. Emphasis is placed on providing information to solve real business problems arising from macro-economic developments. Membership of the club is drawn from a wide range of UK and international companies, providing an opportunity to work with senior economists from the City, industry and commerce. We are now looking to recruit an economist to join our London based team.

The successful applicant will be degree qualified, and have experience of producing model based forecasts for the UK or other industrialised economies. Good written and oral presentation skills will be necessary, as will an ability to identify and analyse the key risks and uncertainties facing the world economy and place these in a context for business. A major responsibility will be to make regular presentations to senior economists and management from member companies. Working as part of a small team, the ability to assume responsibility while working in co-operation with others is essential.

The successful candidate can expect a competitive salary package commensurate with qualifications and experience.

Written applications including a current CV should be directed to:

Paul Droop
Chief Economist
ITEM Club
Becket House
1 Lambeth Palace Road
London SE1 7EU

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INDEPENDENT
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Private Banking to £60,000

Our client is a major European banking group who, with a global network and substantial assets under management, now wish to further develop their Private Banking operation worldwide. Part of their strategy is to strengthen their asset management capability in London and they seek a high calibre portfolio manager to join their small, expanding, W1 based team.

Reporting to the senior Portfolio Manager, the successful candidate will be responsible for investing the international equity portion of high net worth clients' funds. Whilst the group has a sophisticated investment strategy and asset allocation process, some discretion will be needed for the individual management of key portfolios.

Candidates are likely to have a minimum of at least four years' investment management experience. They should demonstrate an understanding of the global equity markets, particularly Europe, the US and Asia, together with an appreciation of fixed income. Self motivation and idea generation are as important as a professional team oriented approach.

For an initial discussion in confidence please contact us quoting reference 5059 at 20 Cousin Lane, London EC4R 3TE. Telephone 071-236 7307 or Fax 071-489 1130.

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MEESPIERSON EURAMERICA

Leading Dutch-American investment bank undergoing rapid expansion in Central and Eastern Europe seeks qualified applicants for positions in Budapest, Warsaw, Prague, Moscow and Kiev. Excellent compensation including incentive bonus and extremely challenging work environment. Applicants must be willing to relocate to the region. English fluency required. Regional language desirable, but not essential.

VICE PRESIDENT Responsibilities include originating, developing and executing international and domestic equity private placements. This is a major focus of our business and applicants must have considerable experience in this field, including the structuring of such projects, and excellent English writing skills. Other responsibilities will include advising on mergers and acquisitions and managing a group of associates and analysts.

ASSOCIATE Applicants should have had at least two years' experience in the origination and execution of investment banking transactions, including international equity offerings and mergers and acquisition assignments. Applicants must be prepared to assume a high degree of responsibility and to show initiative.

ANALYST Applicants should be university graduates with one or two years' experience in the financial sector and should possess good writing skills and competence in financial analysis. Organizational skills and the ability to work to tight deadlines are essential.

Please send full CV to MeesPierson EurAmerica.
Current address: Revay u. 10, 1065 Budapest, Hungary, fax 36-1-269-1030.
Address after October 3: Rakoczi ut 42, 1072 Budapest, Hungary, fax 36-1-268-1285.

Waters Lunniss is the highly profitable stockbroking arm of Norwich and Peterborough Building Society. Backed by the substantial resources of a leading financial institution, the company's rate of growth has been dramatic during recent years. This expansion has involved the opening of new branches, the securing of high quality sources of new business and the introduction of innovative services.

Share Centre Manager City of London

As part of the continuing expansion of our branch network, this new Share Centre will be opened towards the end of 1994. The role will involve business development, backed by our wide range of services including highly competitive commission charges, PIPs and a unique Business Settlement Service.

You will be qualified to at least SFA Registered Representative status having gained thorough experience of dealing with private investors. The ability to bring existing clients is not required although a smart appearance and an outgoing, enthusiastic personality are essential.

Private Client Portfolio Executive Norwich

The private client department has expanded rapidly in recent years. As a result there is a need to employ a portfolio manager to assist our Associate Director responsible for the department in Norwich. The ideal candidate will be experienced in advising private clients and looking after portfolios on both a discretionary and non-discretionary basis.

Please apply in writing, with full CV and current salary details, to:
Stephen Allen, Operations Director
Waters Lunniss and Company Ltd,
2 Redwell Street, Norwich, NR2 4SN

WATERS LUNNISS
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SENIOR FUND MANAGER & JUNIOR FUND MANAGER

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£ ATTRACTIVE

MacIntyre Hudson Portfolio Management Limited requires 2 Fund Managers to assist with the expansion of this company which manages funds in excess of £140 million. Reporting directly to the Managing Director, applicants should have good private client, charity and pension fund management experience.

An excellent opportunity for people who want a challenging and rewarding career. Apply with CV and current salary package to Robert Mowbray - MacIntyre Advisory Services Limited, Ashley House, 18-20 George Street, Richmond, Surrey, TW9 1HD.

EMERGING MARKETS SEARCH & SELECTION

EMERGING MARKETS FIXED INCOME ECONOMIST RESEARCH ANALYSIS

LONDON - NEW YORK

Our client, a leading Banking house, wishes to appoint an Economist with at least three years experience of country analysis, preferably in emerging markets, to work with a successful emerging markets team. The ideal candidate will have a degree in economics, a strong quantitative background, and experience of fixed income analysis.

The appointee will, in conjunction with the traders and portfolio managers, be responsible for:

Country analysis and the production of research material from the perspective of identifying investment opportunities in debt instruments.

Analysis of global/economic trends affecting emerging markets fixed income securities.

Comparative analysis and arbitrage identification between various emerging markets securities.

Candidates must be self-starters with a keen interest in the emerging markets and have the ability to demonstrate dedication, communication skills, entrepreneurial flair and a strong desire for success.

An attractive remuneration package will be offered to the right person. If you believe that you can offer our Client these qualities, please send your CV in complete confidence to:

David Williams, Emerging Markets Search and Selection
29 Masons Avenue, London EC2N 3EP
A Division of Global Markets Recruitment Ltd
Tel: 071 600 4744 Fax: 071 600 4717

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Frankfurt

Junior Dealer - Germany

The Mercury Asset Management Group which has in excess of £60 billion under management, will establish an investment management company in Frankfurt in October. This creates an opportunity for a young, bright and ambitious professional to join a newly established team. Reporting to a Managing Director, this is an exciting challenge with significant career development opportunities.

THE ROLE

- Execute orders and handle customer enquiries. Assist with day-to-day portfolio management.
- Contribute to the servicing of the existing domestic German client base.
- Be a member of a small team developing the firm's profile in the marketplace.

THE QUALIFICATIONS

- German national or fluent German speaker. Probably a graduate, aged 25-35, with a minimum of three years experience in an investment firm.
- Good technical knowledge of international fixed income and equity markets. A proven track record in execution and research is essential.
- Sound communication skills with the ability to liaise with clients and members of the firm at all levels.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

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Please reply with full details to:
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London WC2A 2HQ

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on
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Philip Wrigley on
+44 71 873 3351

Brian O'Neill on
+44 71 873 4027

CORPORATE FINANCE - ITALY

The Rothschild Group has a strong reputation for its international corporate finance activities. Following an internal career development move, an opportunity has arisen at the Group's Milan office to contribute to the continuing expansion of its Italian operations.

The successful candidate will be exposed to the full range of corporate finance activities including mergers and acquisitions, privatisations and equity issues. Responsibilities will include company and sector analysis, financial advisory work and business development.

Candidates will either have around 2-3 years' investment banking experience or be qualified CAs with relevant experience. Fluency in Italian and English is essential, and a sound understanding of the Italian business, accounting and legal environment is required, as well as good numeracy and computer skills.

The remuneration package will reflect qualifications and experience to date. Personal development prospects within the international Group are first-class.

Please send your full curriculum vitae in the strictest confidence to Rodney Lonsdale, Director of Personnel, N M Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU. Initial interviews will be held in London or Milan.



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EXCELLENT COMPENSATION PACKAGE

Kredietbank N.V.'s highly successful Corporate Banking and Finance Department is currently seeking a Manager to join its expanding team.

A newly created position, the candidate will be required to develop and maintain relationships with U.K. corporates and investment institutions, with regard to a broad range of banking and treasury products.

Currently working in a direct marketing role, you should also possess excellent credit skills. You will have very good communication and analytical skills and be flexible enough to fit into a small team environment. Self-starter, of graduate calibre, you will probably be in your early-mid thirties, with a high degree of numeracy. In addition, you will be able to

demonstrate initiative, enthusiasm and team leadership skills. Preference will be given to candidates with good PC skills.

This high profile role offers clear opportunities for career development and an attractive remuneration package, including the full range of banking benefits.

Please write, in confidence, with full personal and career details, including current remuneration, to Sharon King, Kredietbank N.V., Exchange House, Primrose Street, London EC2A 2HQ.

KREDIETBANK N.V. LONDON BRANCH

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- plan and co-ordinate the efficient delivery of the division's services;
- lead and motivate the division's 70 staff, based in Worthing and London, in a fast-moving, project-based environment.

The key to success in the role will be in

maintaining the balance between overseeing day-to-day operations on the one hand and forward planning and risk assessment on the other.

Probably aged in their mid-thirties to mid-forties, candidates must have several years' managerial experience in a fast-moving, 'back-office' environment. Ideally, this should be in the securities industry, though we will also be interested in candidates from other financial services sectors where team leadership, risk assessment and tight control over high volume transactions are essential. Other key requirements include strong team building and interpersonal skills, IT literacy and a high energy level.

In addition to the advertised salary, the attractive remuneration package includes a performance-related bonus, car, subsidised mortgage, private health care, pension and relocation assistance where appropriate.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 326J on both letter and envelope, and including details of current remuneration.



SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820
A GKRS Group Company

DERIVATIVE TRADERS

Competitive salary + bonus & banking benefits - City

Our client, an International Investment Bank based in the City, is looking for two Senior Interest Rate Derivative Traders to join its expanding Treasury Team.

For these senior positions you must have a minimum of 5 years' experience in trading Swaps/FRA's and be able to demonstrate a strong track record in European currencies.

To succeed you are likely to be innovative and a highly motivated team player with good interpersonal skills.

A competitive salary, plus excellent bonus potential is offered as well as a full range of banking benefits.

Please send your cv to: Alastair Lyon, Ref 962, Response Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

All applications will be sent to our client unopened so please ensure the reference number is clearly marked on the envelope.

ASSOCIATES IN ADVERTISING

BANK OF ENGLAND

The Bank of England has a vacancy for a market analyst. The job is in the Gilt-Edged and Money Markets Division, which is part of the Bank's Monetary Stability Wing and is responsible for monetary policy implementation and for managing official operations in the gilt market as part of the government's funding programme.

The job requires the application of quantitative techniques, based in economics and reflecting professional market experience, to the gilt-edged, money and related derivatives markets in the context of the Bank's daily operations. The jobholder will form part of a small team responsible for market analysis, working closely with the Bank's gilt and money market dealers and policy analysts.

Applicants should possess first-rate qualifications in economics or a related subject, with expertise in quantitative techniques and financial economics, and should have experience in or knowledge of fixed interest and/or derivative markets.

An attractive remuneration package is available for an initial contract period of two years.

Please apply in writing with a full CV to:

Liz Carter-Evans
Personnel Division (BB-1)
Bank of England
Threadneedle Street
London EC2R 8AH

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Salary range £35-£70,000 + PRP

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We require a corporate finance professional, with first hand experience of buyouts gained in a merchant bank, consultancy firm or venture capital house, to

develop our consultancy work, particularly in the areas of privatisation and the public sector. Your role will involve supporting the buyout teams, structuring and negotiating deals, sourcing finance and managing projects to completion.

Highly remunerated, you should also have excellent communication and analytical skills. You should be educated to degree standard. A professional qualification or MBA would be desirable.

This post offers challenging opportunities in a new and exciting business environment with great potential for personal development.

Please write with full CV demonstrating relevant experience and stating present salary to
Nigel Mason,
Capital Strategies Ltd, 59 Charlotte Road, London, EC2A 3QT
Member of The Securities and Futures Authority

CAPITAL STRATEGIES

INVESTMENT RESEARCH

Hoare Govett, one of the City's leading stockbrokers and part of the ABN-AMRO European broking network, seeks an analyst to join its experienced team covering the Engineering Sectors.

The present team has a growing presence in these sectors as well as long established corporate relationships with a number of major UK engineering companies.

The ideal candidate will combine knowledge of the engineering and automotive industries with strong accounting and communication skills (oral and written) and the ability to originate innovative investment ideas.

The successful candidate will be offered an attractive remuneration package.

Please write, enclosing a full CV to:

Sally Dickinson,
Hoare Govett Limited, 4 Broadgate,
London EC2M 7LE

HOARE
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THE ROLE

- Responsible to the Group Finance Director for structuring, negotiating, documenting and completing a comprehensive range of issues related to the M&A programme and intra-group transactions.
- Identifying acquisition targets and prospective partners and MBO teams internationally. Instructing and negotiating with leading lawyers and accountants.
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THE QUALIFICATIONS

- Graduate qualified lawyer or accountant with excellent practical experience in a leading corporate finance organisation.
- Seasoned, robust, yet pragmatic negotiator with highly commercial orientation gained in international M&A, disposals and legal matters. Real eye for detail and hands-on operation.
- Confident and diligent self-starter resilient to pressure. Sensitive to the needs of strongly motivated entrepreneurs. Stature to represent the firm authoritatively.

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THE ROLE

- Responsible to the Chief Executive for group strategic planning with a particular focus on the development of significant new business opportunities.
- Detailed desk and field analysis, testing the appeal of potential developments in a broad range of instruments and markets. Ad hoc project management.
- Establish strong relationships internationally with global product managers, regional business heads and prospective partners, presenting conclusions to senior forums.

THE QUALIFICATIONS

- Bright graduate, early 30s, with quality first degree and probably MBA. Experience in international capital markets gained in a leading investment bank or strategy consultancy.
- Disciplined analytical and planning skills. Well-developed knowledge of banking systems and PC literate. Numerate and commercial with an international perspective.
- Confidence, enthusiasm and robustness to operate independently and with the energy to fulfil a demanding, entrepreneurial programme. First class communicator and influencer.

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London WC2R 2ED**INTERNAL AUDIT AND COMPLIANCE**
c£40,000 + Banking Benefits

Our client, the London branch of a major international bank has an excellent opportunity for an experienced bank auditor. The role will be a broad ranging one designed to evaluate the adequacy of internal controls in all areas of operations, administration and finance. The ideal candidate must have several years of experience of audit within the banking environment, and must be able to demonstrate knowledge of treasury and capital markets products and SFA regulations. In addition, the successful applicant should be able to demonstrate strong analytical, communication and presentation skills.

Candidates interested in this position should forward their cv to
Helen Hight, Senior Consultant

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5299

JONATHAN WREN EXECUTIVE**INVESTMENT BANKERS**

Emerging Markets

Excellent package - London

Our client, a leading international bank, offers a wide range of financial and investment banking services to the emerging markets of Eastern Europe and India. The bank is looking for Investment Bankers with experience in these markets to join a small team to develop its business further in these regions.

This is a challenging opportunity for corporate finance professionals with first class marketing skills and the commercial acumen to initiate business from a wide range of clients, including governments, local firms and Western investors. As a team player who is delivery conscious and technically aware, you must have the drive and self-motivation to develop and execute a transaction through to a successful conclusion. A profound understanding of the relevant culture and commercial environment, gained through at least two years' direct involvement in the area, is imperative. For Eastern Europe you must be fluent in one or more relevant languages.

A graduate with an excellent academic record, aged between 28-35, you must be prepared to travel extensively and regularly to and within the regions.

Please write with your cv, to Alastair Lyon, quoting Ref:961, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but please indicate any company to which your details should not be sent.

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FINANCIAL TIMES

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The Financial Times, Europe's Business Newspaper, plans ambitious expansion in its international coverage and circulation.

This will create vacancies for a small number of journalists bilingual in English and another European language. Suitable applicants will be in their first or second jobs, with English-language journalistic experience and a high standard of academic education. Experience of living and working in more than one country would be an advantage.

We would be prepared to consider people whose primary experience lay outside journalism, as long as they have had work published in newspapers or magazines.

Among the jobs we have in mind, we might involve specialist financial knowledge; another detailed knowledge of political, trade and economic issues within the European Union. The exact job specifications, however, would depend on the qualifications and aptitudes of the candidates concerned.

Write with full details and samples of published work to: Robin Panley, Managing Editor, Financial Times, One Southwark Bridge, London SE1 9HL. Deadline for applications: October 21 1994.

The FT Group is committed to being an equal opportunity employer.

CHIEF FINANCIAL OFFICER

Smith Barney, a global securities firm providing brokerage, investment banking and asset management services, is seeking a Chief Financial Officer to be based in London to support our growth throughout Europe. The successful candidate will have in-depth industry knowledge with at least 10 years of experience and a track record of increasing responsibility.

A broad range of skills are required, which will include: UK, US and International Accounting, Financial Management, Compliance, Operations, Risk Management and Information Systems. Excellent interpersonal and written and verbal communication skills are required.

Candidates should be committed to an entrepreneurial work environment and willing to embrace change.

Please send your application, including a detailed career history and compensation requirements, to Anita Mather, Smith Barney Europe, Ltd, 10 Piccadilly, London, W1V 9LA.

All enquiries will be maintained in strictest confidence.

No Agencies please.

SMITH BARNEY**US Institutional Equity Salesperson**

A major US institution is seeking an Institutional Equity Salesperson to join a flourishing US Equity Sales Division in London.

The successful candidate would be a graduate with a good business-related degree, a Registered Representative on the New York Stock Exchange and preferably be able to deal on all US stock exchanges. You must be able to demonstrate both an ability to sell US equity products to institutions and an understanding and knowledge of global economic trends.

We offer an excellent package which rewards individual expertise and abilities.

If you are interested in this opportunity to join an effective US institutional equity sales division, you should respond with a covering letter and your resume to Alan Young, Barbers Human Resources, 30 Farringdon Street, London EC4A 4EA. All responses will be acknowledged.

OIL TRADER CENTRAL LONDON

This major international commodity trading Company, part of a major investment bank is primarily involved in the global energy trading markets. Additionally, it has an extensive presence in the trading of precious and non-ferrous metals, soft agricultural and other commodities in all areas of the world.

The energy group is seeking to expand its oil products trading activities and is currently looking for an Oil Trader. Candidates will have a minimum of 6 years oil products trading experience and must possess good leadership skills as it is anticipated that the successful applicant will develop and manage a large Trading team. Candidates must be willing to relocate to one of the Company's offices located throughout the world.

The environment is extremely fast moving and the successful candidate must be able to work using their own initiative and must possess a high degree of self motivation. Write Box A2158, Financial Times, One Southwark Bridge, London SE1 9HL.

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Send resumes to GAM/ENI, P.O. Box 18895, Washington, D.C. 20036. EEO/AAE employer.

REUTERS ■ REUTERS**BUREAU CHIEF NEWS & TELEVISION-BRAZIL**

Reuters, the international news and information organization, seeks an experienced, all-around journalist to direct its editorial operations in Brazil. The position is based in Sao Paulo and involves coordinating the production of political and economic textual news, still photographs and television footage.

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To qualify, candidates should have at least 7 years experience working with an international news agency or similar organization. Strong writing and management skills are essential, as is fluent Portuguese and/or Spanish. The ideal candidate will also have had experience in Latin America.

Please send CV and clipping to Reuters America Inc., 1700 Broadway, 17th Floor, New York, NY 10019. Attn: Anibal Bordes, Director of Human Resources, Latin America. We appreciate your interest but only those candidates that best meet our requirements will be contacted. Reuters is committed to workforce diversity.

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Bear Stearns, one of the top ten U.S. Stockbroker and investment Banking firms, seeks an experienced Capital Markets counterparty credit Managing Director for its London office. Geographic responsibilities include Europe, the Middle East and Africa.

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Persons eligible for this position must also have experience managing other counterparty credit analysts. Graduate level education required. Legal liaison experience helpful. Excellent communications skills essential.

Please send CV, including remuneration requirements to:

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BBC ■ BBC ■ BBC**BBC Regional Broadcasting Directorate Strategy Development**

Regional Broadcasting is one of the major programme-making Directorates of the BBC, employing 4500 staff in more than 60 centres throughout the UK and producing a wide range of Television and Radio programmes for local and national audiences.

We wish to appoint two people to establish a small unit, working directly to Mark Byford, Deputy Managing Director, which will be responsible for developing the long term strategy for Regional Broadcasting.

Head of Strategy Development

This important new role has been established to take forward the Directorate's strategic long term planning and advise senior management on the strategic and qualitative development of the Directorate's output. You will take the lead in a wide range of strategic projects and play a key role in the development and understanding of new technology. You will need to keep up-to-date with developments throughout the broadcasting industry and suggest new areas of development for the Directorate which will keep it at the forefront of programme making in the Regions. You will also be responsible for Regional Broadcasting's contribution to Corporate and industry-wide strategic initiatives and projects.

You should have experience of strategic planning and policy development at a senior level, preferably within a broadcasting or other media environment. You will need to be able to demonstrate analytical skills and evaluative judgement of a high order and must have an informed understanding of BBC policy and strategy, a detailed knowledge of current broadcasting trends and issues and a keen interest in programme strategy.

You must be able to be self-directed and have excellent project management skills. A high level of presentation skills, both written and verbal, and the ability to speak authoritatively in senior management forums are essential.

(Ref: 16662/F)

Manager Strategy Planning and Analysis, Regional Broadcasting

We are looking for an experienced analyst to lead major research projects and conduct a wide range of projects to underpin the long term planning and strategic development within Regional Broadcasting. You will be responsible for conducting extensive research and will supply rapid analysis and interpretation of movements within the broadcasting industry to the senior management of the Directorate. You will support a number of strategic projects both within the Directorate and across the BBC and will work closely with the Head of Strategy Development on the preparation of the Directorate's strategic plans.

You will be an experienced business analyst, within a broadcasting or professional environment. You will need to be able to demonstrate strong quantitative analysis skills and a knowledge of business modelling. You should have a thorough understanding of the broadcasting industry and a strong interest in Regional Broadcasting. The ability to present complex information, both verbal and written, in a clear and coherent way, is essential. You must also be able to operate at senior levels with authority and confidence.

(Ref: 16664/F)

Salary according to qualifications and experience. Both jobs will be based in London but there may be some requirement to travel round the Regions.

For further details and an application form for both these jobs, contact (quote appropriate ref.) Wendy Green on 081-762 4022.

Application forms to be returned by October 6th.

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Please forward a curriculum vitae in strict confidence to Ian Dodd, Executive Director.

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Curbing creativity in future UK acquisitions

Jim Kelly reports on the arguments over the ASB's latest financial reporting standards

Sir David Tweedie, chairman of the Accounting Standards Board, has been expecting trouble for some time over the board's intention to push ahead with its tough new proposals designed to control the way companies account for acquisitions. He is unlikely to be disappointed.

In December 1993, after the publication of the financial reporting exposure draft (FRS 7) on fair values in acquisition provisions, he let it be known that he would be "checking the wheels on my car from now on". The joke was in character and this week, following the publication of the largely unaltered financial reporting standard 7, he was typically robust in anticipating vocal and organised opposition.

Criticism of FRS 7 amounts to more than a dispute over accounting principles. Much of the opposition which has already surfaced is fighting a different battle: that against what is seen as prescriptive regulation overriding the professional judgment of the auditor.

Critics of FRS 7, or at least elements of it, include the Hundred Group of the finance directors of companies in the FTSE-100 share index, and even one member of the ASB itself. But Sir David says the ASB listened very carefully to such objections during the consultation process before deciding to stand by the general thrust of the exposure draft.

It is not difficult to see why Sir David has had his eye on acquisition accounting right from the moment that the ASB came into being in 1990. The treatment of provisions became a

controversial issue during the wave of takeovers of the late 1980s.

Provisions can be appropriate but the ASB believes that FRS 7 will substantially reduce the scope for companies to manipulate profits by creating generous pre-acquisition provisions in the balance sheet for items such as stock writedowns and reorganisation charges. These costs by-pass the profit and loss account of the acquirer, and the unused provisions can later be released to bolster profits.

Sir David's objection is to what he calls "big bath" accounting, by which companies can throw in large provisions supposedly to cover a multitude of future expenses. One of his main objections is to what might be called "psychoanalytical" accounting: making a provision on the basis of a stated intention to incur a future expense. He also objects to the effect provisions can have on financial reporting for two or three years after an acquisition, he maintains, it has often been difficult to see where the profits have been coming from.

Up till now, the scope for widespread use of pre-acquisition provisions has been plentiful under SSAP 22, the existing accounting standard dealing with goodwill - the difference between the net asset value and the purchase price of an acquired business.

A classic example is provided by Terry Smith in his book *Accounting for Growth*, in which he considers the acquisition of the textile company John Crompton by Colroll, the wall-paper manufacturer. Crompton was acquired for £213m in shares and cash, with related goodwill in Col-

roll's accounts shown as £224m. Thus Colroll wrote off £11m more than the total cost of Crompton.

The Accounting Standards Committee, predecessor of the ASB, tried to tighten down the screws in 1990 with non-mandatory guidance which called for a ban on provisions for future earnings, and far tighter rules on reorganisation expenses.

Despite such pressure, a survey by Company Reporting, the Edinburgh-based accounts monitoring service, showed that of companies with turnover above £300m which made acquisitions during 1991 and 1992, provisions were an average of 35 per cent of the purchase price.

"Accounting for acquisitions has long been seen as fertile ground for manipulating figures," Sir David said this week. "This is in no one's interests as it creates an atmosphere of suspicion and it puts unfair pressure on many companies that try to present their results honestly."

"The new standards favour neither one side nor the other but reflect an objective and neutral approach, and I believe that they will restore much needed credibility in the reporting of acquisitions."

The ASB has the support of several leading investment institutions, several big manufacturers, and a collection of "think tanks".

Mr David Porteous, head of technical compliance at the London Stock Exchange, has also backed the ASB's stand: "A financial reporting standard based on the exposure draft will make a major contribution to ensuring that there is consistent treatment of acquisitions which should lead to greater

comparability of the results reported by acquisitive companies."

Opposition to FRS 7 focuses on two areas. One is a technical criticism that the standard does not reflect commercial reality. The ASB acknowledges that some preparers of accounts ballava its approach "ignored the commercial reality of the transaction by treating as an expense the costs of reorganisation that the acquirer regards as part of the capital cost of the acquisition; and that within defined limits a provision for planned post-acquisition expenditure should be permitted to be included in the net asset acquired."

The ASB has rejected this argument, with one dissenting vote, and insists: "Acquisition accounting should reflect the business that is acquired as it stands at the date of acquisition and ought not to take account of the changes that an acquirer might intend to make subsequently."

The Hundred Group is critical of FRS 7 while reiterating its support for stamping out abuses in financial reporting and "inappropriate flexibility".

"We part company with the ASB, however, when they introduce a new standard which does, in our view, destroy one of the basic principles of accounting under which capital and revenue costs are kept separate."

The group offers an example: "If you buy a house for, say, £100,000 that you know needs £50,000 spent on it to bring it into good condition and make it equivalent to a property that sells for £150,000, then you would treat the

£50,000 renovation expense as part of the cost of the house and not as part of ordinary outgoings."

The group states that FRS 7 goes beyond standards set in other countries, including the US. It also recommends that abuses in this area should be dealt with by tightening existing accounting standards and through "proper policing" by external auditors and "not by distorting accounting concepts".

This reference to auditors underlines a second area of criticism: that the standard undermines, to some extent, the professional judgment of the auditor.

Mr Christopher Pearce, chairman of the technical committee of the group, believes that despite laudable intentions, the ASB has over prescribed in an area where the good judgment of auditors should have been considered sufficient.

Mr Roger Davis, the head of audit at Coopers & Lybrand, says that the standard fails to reflect commercial reality and helps encourage the concept that auditors are not to be trusted to use professional judgment. He sees FRS 7 as part of the "slide towards a legalistic profession".

Writing recently in the FT, Mr Davis painted this rather sombre background to the appearance of FRS 7: "The British created accountancy as a real profession in which experienced professional judgment counted for more than theory. It led much of the world. It is time for my profession to wake up and realise we now face the greatest challenge in our history to retain our relevance to the business community."

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The Candidates

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The Profile

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Exceptional opportunity in highly regarded UK conglomerate Senior Manufacturing Accountant c.£35-£40,000 + Benefits London

Our client, a highly profitable operating subsidiary of a leading UK conglomerate, manufactures specialist industrial equipment. The company operates globally and has established itself as the key player in its market. A dynamic management team with ambitious expansionist policies and a corporate strategy orientated towards long term earnings growth, has created substantial worldwide business opportunities.

An exciting opening has arisen for a key individual to take charge of developing the management reporting and global multi product costing areas. Leading a six strong team, the successful candidate will be responsible for the production of monthly management information, annual budgeting/forecasting, variance analysis, and ongoing systems development. Reporting to the Finance Director this individual will be required to liaise on a daily basis with line managers and may become involved in ad hoc project work.

This position will appeal to a qualified accountant (aged 28-40) with broad experience gained in the manufacturing sector. In addition, candidates will possess strong communication skills, personal motivation and a mature, versatile approach. Whilst the ability to take a hands on approach is essential, candidates must also demonstrate the potential to contribute to the strategic development of the business.

Interested candidates should write, in the strictest confidence to either Paul Marsden or Brian Hamill at our London office quoting PM1061 and enclosing a brief resume.

WALKER HAMILL
Executive Selection

103-105 Jermyn Street, St James's London SW1Y 6EE
Tel: 071-287 6285 Fax: 071-287 6270

LEADING GLOBAL INVESTMENT BANK BUSINESS ANALYST

CITY

Our client is one of Europe's leading universal banks. Through vision, imagination and management skills they have grown to currently stand amongst the world's top international investment and commercial banking institutions. Due to a continued growth an opening has been created for an exceptional candidate.

As a Business Analyst in the information technology department extensive contact with the financial director and all business areas of the bank will be intrinsic to the role. The successful candidate will appraise the impact of current and future management accounting and

systems development throughout the bank in London and Europe.

We would like to talk to graduates who can demonstrate an impeccable track record. From an accountancy background the ideal candidate will certainly hold a professional qualification. Recent expertise will have been focused towards Information Technology preferably within the banking Sector where an exposure to business issues has been gained.

In all cases we need to see evidence of self-motivation and analytical skills, achievement and negotiation skills.

C. £45-50K + BANKING BENEFITS

The expectation is substantial and the rewards reflect this. You will be hired if we believe you have the ability to succeed and the versatility to move on to bigger and broader responsibilities.

Interested applicants should contact Keith Jones at Robert Walters Associates on 0171-379 3333 or 0181-840 0091 out of office hours. Alternatively send or fax an updated CV to him at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP Fax 0171-915 8714.

ROBERT WALTERS ASSOCIATES

Exceptional Opportunities in Business Support and Product Control

ACA's with significant PQE

£ Excellent Packages

NatWest Markets holds a pre-eminent position in the world of corporate and investment banking. Comprised of eight highly successful businesses, our activities cover trading, corporate banking, asset management and specialist advice. 1993 was an excellent year for NatWest Markets and in particular, our Securities Division consolidated its position as one of the top UK equity houses. By combining expertise with exceptional strength, energy and ambition we have achieved an enviable record of growth and success which in turn has created two outstanding opportunities within this Division.

Product Controller

Continued development of the Equity Derivatives Trading area has created a role within the middle office support function. You will take responsibility for identifying the risks, proposing accounting policies and the periodic reporting for a discrete team of equity/equity derivative traders. In particular, the position covers the control and assessment of ongoing and proposed business strategies. You must also possess the technical skills and the supervisory experience necessary to motivate and lead a small team and the confidence to liaise effectively with trading, taxation, legal and operational personnel.

Probably aged 28-33, you will be a qualified accountant with at least three years post-qualification experience of a banking/securities trading environment. A significant proportion of this time must have been spent within a product control function and ideally, candidates will possess a good working knowledge of equity derivative products. All applicants should be comfortable with complex computer systems and have enquiring minds.

In both instances, strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines will be essential. These roles also require the competence to deal with senior management and to provide innovative solutions to business problems as they arise.

For further information, please contact our retained advisors, Guy Townsend or Brian Hamill of Walker Hamill Ltd on 071 287 6285. Alternatively, forward a brief resume to their London office at 103-105 Jermyn Street, St James's, London SW1Y 6EE, quoting reference GT353. All direct responses will be forwarded to Walker Hamill.



NATWEST MARKETS
Corporate & Investment Banking

Project Consultant

This high profile, newly created role operates within the Equity Derivatives area, reporting to the Head of Middle Office. Working closely with the Equity and Equity Derivative Trading and Structuring teams, you will ensure a seamless and efficient interface between traders and their support structure. The position involves the execution of a wide range of ad hoc projects, including, for example, working with Structuring teams developing new products, so as to be competitive and capital efficient. These projects may require the specification and development of small PC applications and will involve extensive liaison with technology and operational personnel.

This position will entail the origination and development of ideas, the co-ordination of analytical tasks and constant involvement in business issues at the highest levels. Ideally aged 28-33, the successful candidate will be a practical, qualified accountant, with a good knowledge of derivative products. The role requires initiative, creativity, well developed problem solving skills and strategic awareness.



Financial Planning
Central London

c.£40,000 + Car
ACA'S/MBA'S



Holiday Inn



BRITVIC



Bass PLC is a leading FTSE 100 company with reported turnover approaching £4.5 billion and pre-tax profits in excess of £500 million. It has developed leading positions in pub and leisure retailing, hotel franchising and brewing by providing the best value brands and services to its customers and consumers. A dynamic management team coupled with major opportunities for the business, creates stimulating challenges for the financial planning of the Group.

Bass has a central financial planning function to support the individual business units and the Group Executive. Following internal promotions into divisional management roles, two executives are currently sought to strengthen the central resource function for the assessment of strategic and financial plans. In addition to project work such as the evaluation of acquisitions and major capital projects, this team is involved in specific business issues outside of the financial arena.

These opportunities are likely to attract applicants from financial backgrounds (ACA or MBA) with experience in blue chip companies or major consulting firms. Experience in planning, project appraisal and cash flow projections is desirable. Strong microcomputer modelling skills are essential.

Applicants should possess excellent academic qualifications and be capable of demonstrating rapid career progression to date. The successful candidates will be results orientated, possess high levels of intellect and initiative, be confident of liaising at the most senior management levels and enjoy the personal challenge of a non-routine, wide-ranging role. Benefits include an attractive remuneration package, company car and the opportunity to develop an outstanding career in finance or general management.

Interested applicants should write in the strictest confidence, to our retained consultants Brian Hamill or David Craig, forwarding a brief resume quoting reference BH 1060. Any applications submitted directly to Bass by third parties will be forwarded to Walker Hamill.

WALKER HAMILL
Executive Selection

103-105 Jermyn Street, St. James's, London SW1Y 6EE.
Tel: 071-287 6285 Fax: 071-287 6270

To advertise in the Appointments
section please contact
Joanne Gonnard on:
071 873 4085.

ANALYST - CAPITAL ADEQUACY

Major US Securities House £35-£40,000 + Banking Bens.

This organisation has established an enviable reputation from the successful trading of fixed income securities and equities world-wide. Increasingly this is being complemented by significant growth in the associated OTC derivatives markets. The combination of this growth and the requirements of the new Capital Adequacy Directive for implementation by January 1996, has led to the creation of a new analytical role within the Financial Control Department.

Working within the specialist regulatory team, this individual will act as a primary liaison with the trading and risk management functions on the implementation of CAD in all European entities in the Group. You will gain a broad understanding of the requirements of this directive and will fully investigate its impact upon new and existing products. The role is highly analytical and requires an ability to think laterally about the implications for both Front Office and Financial Control.

Candidates should be recently qualified ACA's, or equivalent, with a good understanding of capital markets products and some knowledge of current SFA financial rules. Strong academic and interpersonal skills are essential as the role will necessitate extensive contact with trading management. Self motivation and a project orientated approach are equally important.

This role will provide an excellent development opportunity for those seeking to expand their knowledge of the financial markets at a particularly crucial time for the industry. Remuneration includes performance related bonus, car/car allowance and an unrivalled benefits package.

Interested applicants should contact Paul Marsden or Robert Walker on 071 287 6285 during office hours. Alternatively forward a brief resume to Walker Hamill at 103-105 Jermyn Street, St James's, London, SW1Y 6EE, quoting reference PM 1462.

WALKER HAMILL
Executive Selection

103-105 Jermyn Street, St James's London SW1Y 6EE
Tel: 071-287 6285 Fax: 071-287 6270

DIVISIONAL FINANCE DIRECTOR

A major challenge within an LME related metals business

£40k potential

North Midlands

Our client is a major group with worldwide operations in engineering based activities. They currently have a need for a Finance Director who will be a key member of a close knit management team at a major division that has activities in metals recycling together with related advanced technology that has considerable market potential. The annual turnover of the division is £40m and involves operations throughout the United Kingdom and Europe.

This is a demanding role for a young financial manager with a strong factory accounting background who has the energy and skill necessary to achieve demanding cash and PBIT targets. Proven experience of costing, variance analysis and computerised accounting is essential with exposure to metals markets, and in particular the operation of the LME, being a distinct advantage. The ability to relate to all levels within the organisation will be considered a norm requirement.

Applications are invited from qualified ACMA or FCMA accountants with at least 5 years post qualification experience preferably gained in dynamic businesses that are subject to fluctuating material prices. A track record of 'hands on' management and in effecting change leading to dramatic profit improvements within short timescales will be a favourable consideration as will a positive attitude towards cash management.

The appointment should be seen as a career development role for those seeking greater levels of responsibility and will offer an attractive remuneration package including a company car, BUPA, and appropriate major company benefits with relocation support available, if required.

Please apply in writing, stating fully how the requirements can be met, and quoting Ref. 249 to: Jenny Ibbson, Director, Riley Advertising (Leeds) Ltd, Suite 26C, Josephs Well, Hanover Way, Park Lane, Leeds LS3 1AB. Replies will be forwarded to our client, please state separately any companies to whom you do not wish to apply.

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To advertise in the Appointments section, please call: Philip Wrigley on +44 71 873 3351

Finance Director

North Yorkshire

c £40,000 + Car + Bens

Our client is an autonomous company within a major international group and operates in a rapidly expanding niche market within the food sector. They have significant plans for further expansion and are well positioned to take advantage of growth opportunities.

As a result of internal promotion, they seek to appoint a Finance Director. Reporting to the Managing Director, you will assume full responsibility for all financial and management reporting including statutory/legal compliance and the further development of management information systems and controls. You will be a key member of the management team and will be expected to provide strong

financial leadership and commercial support. Candidates, aged 32+ will be graduate qualified accountants, who can demonstrate strong technical ability along with a high degree of commercial acumen, gained preferably in a food or FMCG environment. In addition, you will need to demonstrate a proactive and innovative approach coupled with good interpersonal skills and maturity in order to make a significant contribution to the future success of the business.

Interested candidates should send a comprehensive curriculum vitae to Stephen K Banks, ACMA, Michael Page Finance, Aquis House, Greek Street, Leeds LS1 5RU. Quoting reference 204256.



Michael Page Finance

Specialists in Financial Recruitment
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Nottingham Manchester Leeds Glasgow & Worldwide



International Tax Manager

£ Excellent

West London

Bechtel is a world leader in the engineering and construction industry with headquarters in San Francisco.

Due to continued expansion plans, the company is now seeking to appoint an international tax manager to take responsibility for Middle East, Africa, Eastern Europe and South West Asia.

The position will carry responsibility for all areas of tax management in the region and provide the opportunity to become involved in commercial decision making. Key areas of responsibility will be:

- Providing taxation advice for structuring deals and proposals
- Advising and co-ordinating with project management
- Dealing with all taxation aspects of projects in each country with particular reference to US tax implications.

• Close co-ordination with headquarters and local management.

The role will involve an element of overseas travel. The successful candidate will be a qualified ACA/ATII aged 30-40, preferably with knowledge of international tax especially from a US perspective. In addition, commercial tax experience is advantageous but not a prerequisite.

Candidates should have leadership qualities demonstrating a proactive approach to financial management and the ability to utilise strong interpersonal and commercial skills.

For further details of this exceptional opportunity please contact Donald McFarlane CA, on 071 831 2000 or write to him enclosing a comprehensive CV at Michael Page Taxation, Page House, 39-41 Parker Street, London, WC2B 5LH.



Michael Page Taxation

Specialists in Taxation Recruitment
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Nottingham Manchester Leeds Glasgow & Worldwide

FINANCIAL CONTROLLER

WEST LONDON

C. £30K

A qualified accountant is required for a small but dynamic UK plc engaged in the development and marketing of software solutions for the healthcare market.

Reporting to the Financial Director and supported by a small team, the financial controller is responsible for all management and financial accounting, treasury and other administrative functions.

The successful candidate will demonstrate a broad range of experience gained within the profession and small public company environments, and will be highly computer literate. Age is less critical than the mix of previous experience.

For further information please contact our advising consultant, Nicola Skentelbery on 0171-379 3333 (fax 0171-915 8714) or write to her at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.



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Member FRC & CIB Group

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A growing dynamic financial services market has increased the demand for high calibre professionals.

As a Newly Qualified ACA, the prospect of a career in Investment Banking is likely to have crossed your mind. "But what do ACAs do in banks? What opportunities are available? Will I become too specialised? What about career progression?" These are probably questions you are currently asking yourself.

If you have the academic background, the drive and the ambition to succeed in

SEMINAR

NEWLY QUALIFIED ACAs

Career Opportunities in the City



today's financial markets then Robert Walters Associates can introduce you to the variety of career paths available. We will be holding a seminar at the Hampshire Hotel, Leicester Square, on Tuesday 27th September 1994 at 6.30pm. Cocktails and a light supper will also be provided.

Representatives from four of the City's leading institutions will be present to answer your questions and to outline the type of current opportunities.

Please call Vicky Siddall on 071-379 3333 to confirm your attendance.

ROBERT WALTERS ASSOCIATES

FINANCE DIRECTOR

to £50,000 + CAR - SOUTHERN ENGLAND

Our Client is a rapidly expanding £60m plus turnover subsidiary of a quoted British PLC, with group revenues approaching £2 billion. The business is a third party distribution company, providing a high frequency and quality service to major manufacturing and marketing customers.

The company wish to appoint a Finance Director, to drive forward the key performance issues relating to financial/commercial objectives. These include optimisation of contract profitability, evaluation of key customers strategic direction and the commercial response to market developments.

Reporting to the Managing Director, the appointee will manage the provision of all financial services and systems for the control and development of the business. Strategic planning and group reporting to the highest standards are equally critical elements of the role.

Candidates must be qualified accountants with strong commercial instincts and the proven potential to progress to a general management role. Total competence in managing the financial process is prerequisite.

Applicants should have Financial Director level experience, gained within a large Service, FMCG or Retail business environment.

The company and group offer an excellent career opportunity and stimulating management environment. The remuneration package is very competitive and will include a performance element in addition to basic salary and a range of senior level executive benefits.

Interested applicants should write, enclosing career details to John Sheldrake at JOHN SHELDRAKE ASSOCIATES, 47 High Street, Little Abington, Cambridge CB1 6BG. Tel: 0223 893910 Fax: 0223 893901.

John Sheldrake Associates

Executive Search & Selection

Cadbury Schweppes

FINANCIAL CONTROLLER

With a turnover in excess of £3 billion Cadbury Schweppes is one of the world's leading fast moving consumer goods companies. With operations in over 100 countries, they manufacture and market some of the best known branded names in Confectionery and Beverages.

NIGERIA

Outstanding
Expatriate
package

An exceptional opportunity has now arisen for a Financial Controller for their growing operation in Lagos. Working with the local management team and reporting to the Finance Director of Cadbury Nigeria, your varied brief will include developing the computer based commercial and financial information systems. In addition you will have responsibility for production of management accounts, budgets, long range plans, project evaluations as well as involvement in Treasury operations. The successful candidate will therefore possess the following:

- A graduate, qualified ACA/CIMA/CFA
- Experience of working in an expatriate environment preferable
- Commercial outlook gained within a manufacturing environment
- Outstanding interpersonal skills

This high profile role represents an outstanding opportunity to make a significant contribution to a major company in the Nigerian market, followed by excellent longer term career prospects worldwide.

Interested applicants should write in confidence to Reeta Nathwani, quoting reference number 2088 at Nicholson International Search and Selection Consultants, Bracken House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on 071 404 8128 or call 071 404 5501 for an initial discussion.



NICHOLSON INTERNATIONAL

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The
WALT DISNEY
Studios

Up to £45,000

West London

AUDIT MANAGER - EUROPE

The Walt Disney Studios, a world leader in the entertainment industry, is offering a challenging opportunity for an aggressive professional.

Reporting directly to the US Controllershship, you and your team will be responsible for conducting a wide range of audits across a variety of countries and studio business units. This will include operational and systems audits, compliance checking and a variety of ad hoc special projects.

A first class graduate, with first time ACA passes you will have at least 6-8 years' post-qualification experience within a big size firm which should include either industry or commerce. Possession

of an MBA would be an added advantage as would experience of working for a U.S. multinational within the leisure business. You will also need a strong and approachable personality, along with a highly disciplined professional approach and be expert at dealing with senior management. Excellent skills are essential, both orally and in writing.

In return you can expect a salary of up to \$45,000 and a wide range of excellent benefits.

Please send full cv quoting ref N1071 to Mandy Hodnett, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

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European Accounting Manager

Netherlands c £50,000 + Excellent bens + relocation

Our client is an international US company in the information technology sector, offering a broad range of high quality and innovative products. The company, with a worldwide revenue of approximately \$10 billion, has a leading role in the manufacturing and sale of computer equipment. The European Operations Centre and European Accounting Department are located in the centre of the Netherlands. Due to further centralisation and integration the company seeks to recruit a high calibre professional for the position of European Accounting Manager, reporting directly to the European Controller.

- Tasks and responsibilities:
- Management of all European accounting activities.
 - European consolidation and financial reporting to the Headquarters in the US.
 - Implementation of the financial modules (SAP) into Europe.
 - Internal control and accounting procedures.
 - Regular review of compliance with the European corporate accounting policies and procedures.
 - Preparation and set up of one accounting centre in Europe.
 - Supervising the staff of the European Accounting Department.

- Profile of the suitable candidate:
- Graduate, qualified accountant.
 - At least 10 years experience in an international role and knowledge of US accounting rules.
 - Proven management skills.
 - Excellent communicator and good motivator.
 - Knowledge of and familiar with change processes.
 - Flexible and pragmatic personality.
 - Informal with sense of humour.
 - Willing to undertake international business travel.

Interested applicants should send their curriculum vitae to Nico Hoenen at Michael Page, Heuvel Galerie, Ten Hagestraat 10, 5611 EG Eindhoven, the Netherlands, reference NH/38529 or contact Nico Hoenen, telephone 010 3140 433735.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Düsseldorf Frankfurt Hong Kong Sydney

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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Philip Wrigley on +44 71 873 3351.

Lazard Brothers & Co., Limited

Corporate Finance Executives Experienced Analysts, newly qualified ACA's and Lawyers

The Corporate Finance Division of Lazard Brothers acts for a large number of significant clients in both the public and the private sector. It also works closely with the Lazard Houses in Paris and New York to form a major force in global investment banking.

The Division is enjoying sustained growth, creating further demand for Corporate Finance Executives. Applications are invited from Corporate Finance Analysts completing a training programme with a major institution and from newly or recently qualified Chartered Accountants and Lawyers with major firms.

These positions are highly sought after and selection criteria will be demanding: candidates must demonstrate impeccable credentials including at least a 2.1 degree, numeracy, excellent interpersonal skills and creativity. It is unlikely that successful candidates will be over 27 years old. In return the Bank offers a competitive package, varied experience and first-rate career prospects.

Those interested are asked to write, enclosing full career details and stating reasons for applying, to The Halsey Consulting Partnership, 34 Brook Street, Mayfair, London W1Y 1YA.
Telephone: 071 495 4446. Please quote reference L/440/8.

Manager Finance and Administration

M4 Corridor

c. £50k + bonus

Our client is a rapidly growing international company manufacturing telecommunications products for sale through subsidiaries and distributors around the world.

Reporting to the Managing Director, the Manager Finance and Administration will have overall responsibility for finance and accounting, human resources, facilities management and MIS. A major initial task will be to conduct a review of each of these areas and make recommendations for improving their current operations and for future growth. Other tasks will include the implementation of new information systems and new procedures for measurement and reporting.

Candidates for this position will be qualified accountants and will have considerable experience in managing a similar function, probably in a manufacturing environment. Proven financial management and reporting skills together with a strong MIS background are essential. The successful candidate will be highly creative, a strong manager and motivator and will thrive in a rapidly changing environment.

To explore this exciting opportunity, please write with a full cv, quoting reference 0259 to Frances A Bell, AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.

AAD

The Executive Selection Division of Odgers and Co. Ltd

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Plc Finance Director

c. £80,000 (equivalent) Holland

We are a fashion distribution group, with interests throughout Europe and in the Far East. Our well known products are in the casualwear market and our mission is to combine design flair with value to our customers.

A recent reorganisation means that our head office function is moving from London to a new Dutch base, at the hub of our European sales and distribution network.

We now wish to recruit a Finance Director, a thorough going professional with excellent technical skills, particularly in the areas of systems and financial controls. A proven ability in people management is essential, as is the capacity to work strategically with other members of the Board and overseas management, to provide a strong lead in the profitable development of the business.

You should be pragmatic, effective and credible, with a highly commercial business approach. External relationships with the

City and business community are key to our future success and it is of importance that these contacts can be built quickly. Your background as a change manager will be exceptional.

Our ideal candidate will come from the distribution sector, have extensive experience of working in Europe, demonstrate a flair for languages and have worked at a strategic level, in a fully quoted plc, whilst retaining hands-on involvement with controlling finance and management information systems.

This is a first class opportunity for both career and professional development in a high profile and very visible organisation.

Please write with a full CV, outlining salary and quoting reference C/0053 to Jim Mitchell, Executive Search & Selection, Price Waterhouse, 19 Cornwall Street, Birmingham B3 2DT. Fax: (21) 200 2464.

FINANCE DIRECTOR

M5 Corridor

c. £45,000 + car + benefits

Our client, a subsidiary of a major UK Plc, is a world leader in its specialist field. The combination of innovative product development and advanced manufacturing systems ensures that customers are provided with cost-effective solutions.

They now seek a Finance Director to become a key member of the management team. Reporting to the Managing Director, responsibilities will include:

- Monthly reporting to tight deadlines.
- Review, development and enhancement of both management information and costing systems.



To apply please write with a full CV quoting reference 6067/PL to Steven Vass BA ACA, at WTH Executive Resourcing, 13 Berkeley Square, Clifton, Bristol BS8 1HG.

FINANCIAL ACCOUNTANT GABON

£SUBSTANTIAL TAX FREE PACKAGE

Our client, an independent oilfield construction company with rapidly expanding operations, is seeking a fully qualified accountant for its regional office. As a key member of the management team, the successful applicant will be responsible for the production of monthly management accounts and other management reports, office administration, management of suppliers and clients accounts and budget and cashflow forecasts.

The ideal candidate will be fluent in French, capable of working on their own initiative, fully computer literate and possess a high level of energy, drive and commitment.

Salary will be commensurate with qualifications and experience and the package will include the cost of accommodation and living allowance.

If you are interested please submit your full CV and salary information to:

Norman Allport & Co.,
P.O. Box 781, 8 Church Street, St. Helier, Jersey, C.J., JE4 8ZZ

Coopers
& LybrandExecutive
Resourcing

Head of Finance

BIRMINGHAM

SALARY NEGOTIABLE

The schools which come under the control of the King Edward Sixth Foundation in Birmingham have an enviable academic record. The Foundation controls both independent and grant aided schools and in total has some \$20m of income.

In order to coordinate the financial activities of the Foundation and the seven schools concerned, the Governors have decided to appoint a Head of Finance to carry out that role. The main features of the position will be, firstly, to direct the finance function into the future by way of forward planning and strategy and, secondly, to operate in a hands-on fashion as needed in order to ensure that timely, meaningful and accurate

financial information is produced in the most efficient manner.

Applicants should be qualified accountants well versed in the introduction, development and upgrading of computerised accounting systems. You should be a sound team builder, motivator and presenter and able to adopt a hands-on role when necessary. A knowledge of equity and property investment would be a considerable advantage.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT quoting reference JE278 on both envelope and letter.

FINANCIAL ANALYST

DUBAI

Salary

Tax-Free

plus

excellent

benefits

With a turnover in excess of US \$125 million our client is a separate autonomous unit of a multi-national corporation with 48 business units in more than 25 countries worldwide. Their new operation based in Dubai, UAE, boasts an outstanding portfolio of branded products, as they continue to exploit new markets on a global basis.

Reporting to the Financial Manager, your varied brief will include carrying out generation of Financial accounts for internal and external purposes, taking full responsibility for stock accounting, intercompany prices, intercompany transactions, and control of costs. In addition, you will be actively involved in the financial planning side of the business, with the objective of developing this function for future business needs. The successful candidate will ideally possess the following:

- A UK or USA graduate, qualified ACA/CIMA/CMAA.
- Previous experience with a large multi-national FMCG organisation or the Big Six.
- Willing to travel throughout the Middle East, including Saudi Arabia (hence the need for fluency in Arabic).

This represents a unique opportunity to make a significant contribution to a world-leading multi national. Longer term career prospects are outstanding and could take you to any of their world wide business operations.

Interested candidates should write in confidence to Reeta Nathwani, quoting reference number 2087 at Nicholson International Search and Selection Consultants, Bracton House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on 071 404 8128 or call 071 404 5501 for an initial discussion.



NICHOLSON
INTERNATIONAL
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COMMERCIAL ANALYST

West London

c. £30,000 + Car

An outstanding career entry point for an exceptional ACA

THE COMPANY

- Worldwide market leader of a range of high quality branded products
- Dynamic culture: encourages initiatives for change and development
- Highly acquisitive: enviable record of expansion and increased profitability
- Committed to staff development and training

THE ROLE

- Management reporting and financial planning
- Liaison with field directors in the interpretation of financial analyses and definition of strategic plans
- Preparation of consolidated accounting information
- Business appraisal and ad hoc projects

THE PERSON

- 2:1 graduate ACA with first time passes
- Age indicator 24-28
- Experience of large company audit and special work
- Self starter: results orientated
- Commercially astute with strong communication skills

For further information please contact the advising consultants Sharmila Sharon Parekh or David Howell at Executive Match: 071-872 5544 Fax: 071-753 2745, or write to them at:

EXECUTIVE MATCH
1 Northumberland Avenue,
Trafalgar Square,
London, WC2N 5BW



European Finance Director

Financial Services

City based

c. £55,000 + substantial
bonus potential

Our client is the major division of an international financial services and media Group, leaders in a fast moving, global sector of the industry. This new appointment, reporting directly to the European Chief Executive, is to strengthen the senior management team and their control of the operations in six countries, as the business in Europe continues to grow rapidly.

The post embraces the range of planning, budgeting, reporting, monitoring, technical accounting and systems work, typical of such a role. But equally importantly the European Finance Director must have the managerial and financial skills to control a dispersed operation and the commercial experience and mature approach, necessary to make a significant contribution to the Division's management and profitability.

Candidates, male or female, probably aged in their 30's, should be fully qualified accountants with a progressive career in an international group and have held a significant pan European appointment. Additional advantages would include a financial services background, having been based in Europe, fluency in a second European language, and an MBA. They will need the energy and intellect to operate in a small, highly committed, multi-cultural management team, who thrive on making positive decisions on complex issues, within the overall agreed business strategy.

Please apply in confidence, with a full CV, including salary details, to David Thompson, Managing Partner, David Thompson Associates, Becombe Rise, Ellesborough Road, Wendover, Bucks HP22 6EL.

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ASSOCIATES

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Finance Director

London EC1

Package c. £40,000

Qualified accountant, with at least 5 years' experience working at a senior level as a financial manager in business, needed to join the top management team in a rapidly growing, privately owned, profitable, international company (£4m+ turnover). Twice winner of the Queen's Award for Export. The Good Book Guide markets books and related products directly to individual customers in 191 countries.

We are looking for someone who will contribute actively to policy-making as a member of the Board. You will also be directly responsible for managing the Accounts Department, for budgeting, controlling expenditure and analysing costs, for developing improved systems and looking for profit improvement opportunities.

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Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.

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Weekend

Inside section

Crédit Lyonnais
may need to
additional

Crédit Lyonnais
is a major French bank
with a long history of
international operations.
It has a strong presence
in Asia and Africa.
The bank is a member of
the BSB Group.

Ukraine in IMF
Ukraine is a member of
the International Monetary
Fund (IMF). The IMF
provides financial assistance
to member countries.

Building society
The building society is a
financial institution that
provides mortgage loans
to its members.

Buses to stay
Buses are a vital mode of
transportation in many
cities. They provide a
convenient and affordable
way to travel.



Russian budget
Russia's budget is a key
indicator of its economic
health. The budget is
subject to annual review
by the Russian parliament.

Soap attack
A soap attack is a type of
chemical attack that uses
strongly alkaline substances
to cause harm.

Clinton rules on
President Clinton has
issued rules regarding
the disclosure of financial
information.

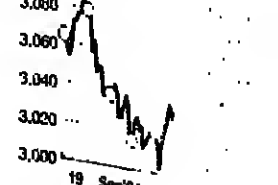
Polly Pock
Polly Pock is a character
from a children's book.
She is a mischievous girl
who loves to play tricks.

Plague exodus
A plague exodus is a
mass migration of people
fleeing a plague-stricken
area.

Gas power station
A gas power station is a
type of power plant that
uses natural gas to generate
electricity.

Football ends
The football season ends
with a final match. The
winning team is crowned
the champion.

FT-SE 100 index
The FT-SE 100 index is a
measure of the performance
of the 100 largest companies
listed on the London Stock
Exchange.



Hepworth
Hepworth is a company that
specializes in the production
of art glass. It has a long
history of creating high-quality
glassware.

Time change
A time change is a shift in
the time of day. It is often
used to refer to the change
from standard time to
daylight saving time.

UK speedster
A UK speedster is a type of
open-top car that is used
for racing. It is known for
its high speed and agility.

Companies in this issue
This issue features profiles of
several companies, including
Alpha, Beta, Gamma, and
Delta.

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